

April 13 1995
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FINANCIAL TIMES

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put charts
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that wears its
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World Business Newspaper WEEKEND APRIL 15/APRIL 16 1995 D8523A

Japanese on alert as cult leader warns of disaster

Tokyo residents braced themselves and police set up roadblocks as part of a security operation ordered by prime minister Tomiichi Murayama after a prophecy that the city would suffer an unspecified catastrophe today. The prediction came from Shoko Asahara, leader of the Supreme Truth sect, which has been blamed for a nerve gas attack in Tokyo's subway last month. Mr Asahara has predicted a disaster far larger than the Kobe earthquake would hit Tokyo on April 15. Page 3

US agrees new plan for Iraq oil exports: The United Nations security council eased its embargo on Iraq oil exports in a move which traders believe could unsettle oil markets next week. Page 20

Court upholds ban on Alcatel chief: A French appeals court upheld a temporary ban on Alcatel Alsthom chairman Pierre Suard and his lawyer Guy Danet said it was likely Suard would have to leave the helm of the French engineering giant. The order bars Suard from working at Alcatel pending an investigation into his alleged role in overbidding France Telecom. Page 2

Heavy losses for Japanese brokers: Japan's four leading brokerage houses reported heavy appraisal losses on their securities holdings. Between them the Big Four - Nomura, Daiwa, Nikko and Yamaichi - lost more than ¥900bn (¥620m) in revaluations in the financial year just ended. Page 6

EU and Canada near deal on fish row: The EU and Canada were on the verge of resolving their dispute over fish stocks in the north-west Atlantic after ambassadors agreed on all but the sensitive issue of Greenland halibut quotas. Page 2

Wimble Mandela sacked for second time: Wimble Mandela was sacked from the South African government for the second time in less than three weeks. The estranged wife of President Nelson Mandela had been briefly reinstated as a deputy minister when the government said her dismissal had been "technically invalid". Page 3

Oscar-winning actor Burt lives dies: US actor and singer Burt Ives (left) died of cancer at his home in Annapolis, Maryland, his agent said. Ives, 65, was best known for his renditions of American folk songs such as "Holly Jolly Christmas" and "Down in the Valley" and for roles in movies including *The Big Country*, for which he won an Academy Award for best supporting actor, and *Cat on a Hot Tin Roof*.

Tajik raids provoke Moscow: Recent raids by Islamic opposition forces in Tajikistan threaten to draw Moscow deeper into a second guerrilla conflict in its southern borderlands and revive hostilities with Afghanistan. Page 2

Britain rings the changes: British Telecom is preparing to cope with thousands of wrongly dialled numbers when national codes have a '1' inserted after the first number from Sunday. For callers from outside the UK, Britain's international country code, 44, becomes 441. Page 4

Footsie in decline ahead of holiday: The FTSE 100 shed just 2.1 points over the four-day pre-Easter trading week. Trading volume slipped lower as traders balanced positions ahead of the holiday weekend, and it was left to company statements to provide the features. Investor confidence was challenged on Thursday by stronger-than-expected March inflation data. However, the stock market was too lethargic to react strongly and the Footsie closed at 3,208.8, a fall on the day of only 1 point. Page 13

J.P. Morgan, the US bank, reported an underlying fall in net earnings of 17 per cent, to \$88m, for the first quarter. Page 6

FT Easter publication: The Financial Times will not be published on Monday. It will resume publication on Tuesday, April 18.

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Bank of Japan moves to stimulate economy ■ American output weakens

Japan cuts main rate as package fails to impress

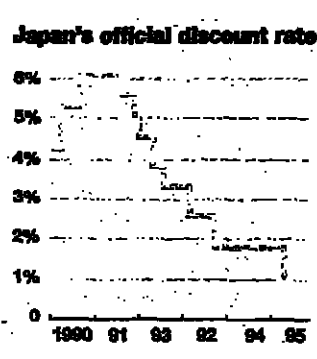
By William Dawkins and Gerard Baker in Tokyo

The Bank of Japan cut its main interest rate yesterday to stimulate the economy, limit the rise of the yen and bolster an otherwise weak economic package designed to promote the recovery.

The central bank cut the official discount rate, at which it lends to commercial banks, by three-quarters of a percentage point to a record low of 1 per cent, the first drop since September 1993.

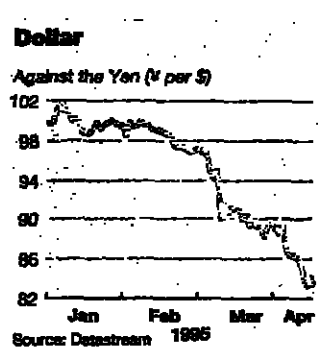
Economists greeted the cut with relief, coming three hours after the government published an eagerly awaited package of public spending and deregulation. It turned out to be short on detail, a consequence of paralyzing divisions on economic policy in the three-party coalition.

The markets were unimpressed. Without the rate cut, they "would have eaten the



so-called package for breakfast," said Mr Dick Beason, economist at James Capel Pacific. "The package... was a clear negative. The rate cut was a positive, and the result is that we have gone nowhere," he said.

In response, the Nikkei share average fell by 2.38 per cent to 16,047.59, while the yen weakened only a fraction, by ¥0.35 to ¥83.55 to the dollar.



Mr Tomiichi Murayama, the prime minister, admitted that the package was only "more or less" satisfactory. Mr Masayoshi Takemura, the finance minister, said it was the result of the government's "utmost efforts".

Mr Yasuo Matsuoka, the central bank's governor, said he cut interest rates because the yen's rise - by 19.5 per cent against the dollar so far this year - was

"threatening to choke the recovery's momentum".

The cut was "expected to provide the bank's utmost support for the Japanese economy, to assure its fundamental trend towards recovery and sustained growth without inflation," said Mr Matsuoka.

The package promises an early supplementary budget this year, without indicating the amount. Deficit bonds will be used to fund part of the budget, making it easier to issue grants and loans to the private sector, in contrast to the usual construction bonds, issued only to fund public works.

The government plans to speed up a recently published five-year deregulation programme, widely criticised as inadequate, and carry it out in three years to

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Package falls short of modest expectations, Page 3
World stocks, Page 15

Boost seen for Fed's rate policy as US output declines

By Michael Prowse in Washington

Official figures showing the first drop in US industrial production for six months were seen yesterday as evidence that the Federal Reserve's efforts to cool the economy by raising interest rates are paying off.

The Fed said industrial output fell 0.3 per cent in March and it revised figures for February to show an increase of only 0.1 per cent, rather than 0.5 per cent as previously reported.

The dollar was relatively stable in thin early trading yesterday despite expectations that the Fed would keep monetary policy on hold for several months - unless unexpected signs of economic strength emerge.

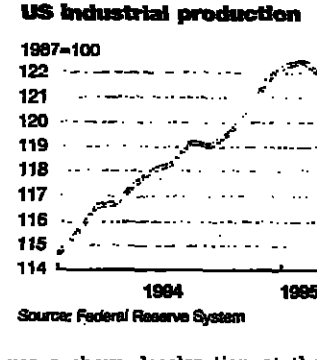
The production decline was led by retrenchment by the big three car companies, but also reflected broad-based industrial weakness. Output of cars and trucks fell 2.6 per cent from February, while output of consumer durables fell 1.9 per cent.

Mining was down 0.5 per cent and utilities dropped 2.6 per cent, reflecting unseasonably warm weather.

In an important sign that upward pressure on inflation may be easing, the Fed said the rate of industrial capacity utilisation dropped for the second month running in March, to 84.9 per cent from a revised 85.4 per cent in February.

The business outlook remains unclear. Some economists believe the upswing that began early in 1991 is now peaking. But a rebound in growth is possible, reflecting buoyant corporate profits, the positive impact of the weak dollar on exports, and a boost to housing from falling long bond yields.

The Fed raised interest rates three percentage points in the year to February to try to curb economic growth before inflation got out of hand. The first sign that the strategy was working



was a sharp deceleration at the turn of the year in consumer spending on interest-rate sensitive items such as cars, houses and consumer durables.

This caused a rapid build-up of corporate inventories in January and February, forcing companies to cut back production plans.

Consumer retrenchment was evident in weaker than expected retail sales figures on Thursday. Although sales rose 0.2 per cent in March - in line with projections - the Commerce Department revised data for February down sharply to show a drop of 1 per cent from January.

The revisions mean that retail sales, excluding cars, were almost flat in the first quarter - a turnaround after strong growth in the final period of last year.

Economists are now revising down growth projections. Merrill Lynch, the New York broker, predicts growth will decline to an annualised rate of 1.5 per cent in the second quarter.

Inflation figures this week indicated the Fed's monetary tightening last year came only just in time. In the first three months of this year, core consumer prices rose at an annualised rate of 4.1 per cent, a sharp increase from 1994. Economists are hoping that slower growth will restrain further increases in inflation.

Currencies, Page 10
Wall Street, Page 15



Presidential candidate Edouard Balladur at a campaign meeting in Remiremont, eastern France, in the run-up to polling on April 23.

IBM angry over new Digital range

By Louise Kahoe in San Francisco

IBM and Digital Equipment, arch rivals in the computer industry, are waging a war of words over conflicting claims about the performance of products which are widely acknowledged to be the fastest devices of their kind.

The confrontation has been sparked by Digital's introduction, earlier this week, of a new generation of computers based on its latest Alpha microprocessor chips, which are widely acknowledged to be the fastest devices of their kind.

Digital claims the new machines are much faster and cheaper than IBM's mainframes. IBM counters that Digital's performance claims are "misleading and unsubstantiated".

IBM is expected to launch a campaign next week with newspaper advertisements to rebut Digital's statements and those of Mr Larry Ellison, chief executive of Oracle, the leading database software company, which jointly developed software for the new Alpha computers with Digital.

At the Digital product introduction, Mr Ellison said that Oracle customer tests indicated that

Digital's new servers are 18 times faster than the most powerful mainframe computer, at one-tenth of the cost. He predicted that Digital would "gain tremendous market share" at the expense of IBM's mainframes.

Digital said that it supports Mr Ellison's statements.

Some independent market researchers agree Digital's new Alpha servers represent a breakthrough in computer technology. "They are 64-bit chips, which can address a huge amount of memory. That should give Digital a significant performance advantage over all its competitors," said Mr Tom Willmott, vice-president of the Aberdeen Group, a market research firm.

IBM executives complain that Digital has failed to use the appropriate industry tests in its comparisons. These tests measure the number of transactions

Continued on Page 20

Big investors back \$23bn buy-out plan for Chrysler

By Richard Waters in Detroit

Some of Chrysler's biggest shareholders have voiced their support for a proposed \$23bn buy-out, putting further pressure on the US motor manufacturer to take action which would lift its share price and fend off the threat.

The buy-out was proposed on Wednesday by Mr Kirk Kerkorian, the Las Vegas-based investor who already owns 10 per cent of Chrysler. While he has yet to arrange finance to back a bid, Mr Kerkorian has suggested that \$5.5bn of the company's own reserves should be used to support the deal.

Mr Kerkorian's proposal focused Wall Street's attention on Chrysler's cash mountain, and prompted speculation late last week that his real aim is to persuade the company to part with some of the cash.

The company's cash reserves stood at \$7.2bn at the end of last month, down from over \$7.5bn at the end of last year. Mr Seth Gluckman, whose New York investment management firm controls 5.8m Chrysler shares, said he hoped a buy-out would follow, though he would be a "grudging seller" at \$55 a share, the price proposed by Mr Kerkorian. Mr Gluckman added that, given operating

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Sharp fall in third-term earnings at Chrysler... Page 8
Investors in driving seat... Page 8
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improvements made in recent years, Chrysler did not need to hold so much cash. "They were over-preparing for disaster," he said. "They don't need it, they have so rationalised the company."

Mr John Neff, manager of the Vanguard Windsor mutual fund, which owns 14.8m Chrysler shares, said: "It borders on overkill. It's probably \$8bn-\$9bn on the high side." Chrysler should

raise its dividends to distribute more of the cash to shareholders, he said.

Chrysler said last week that it was not for sale, and reiterated its view that it needed to "maintain adequate cash reserves to weather downturns in the business cycle".

Mr Robert Eaton, chairman, added: "Obviously the board will consider any offer out there. But there has never been any offer. We don't want to put a For Sale sign on the front. We're going to continue running the business exactly as we have done."

Mr Kerkorian's motives continued to baffle investors, who were unsure about the real motives behind his announcement.

Meanwhile, Chrysler reported a 38 per cent fall in pre-tax profits for the first quarter of the year, to \$592m. The decline reflected several one-off factors, rather than weakening consumer demand in the US, industry analysts and investors said.

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NEWS: INTERNATIONAL

New chief for Alcatel likely soon

By David Buchanan in Paris

The prospect of a new head for Alcatel Alsthom increased yesterday when a French appeals court softened a judicial ban on Mr Pierre Suard but still refused to allow him to fully exercise his role as chairman of the industrial group.

Alcatel Alsthom is now expected, at its scheduled board meeting on Tuesday evening, to name a temporary head of the group to replace Mr Suard.

Mr Suard was last month placed under investigation for alleged fraud relating to over-billing of France Télécom. The

ruling magistrate also forbade him to have any contact with the group.

Mr Suard has strongly contested the allegations and appealed against the ban ostracising him from the group.

Yesterday the appeals court decided that Mr Suard would no longer have to report all his movements to the investigating magistrate and could henceforth resume some contact with Alcatel Alsthom employees.

But Mr Suard is still barred from any contact with his group's accounting unit or France Télécom executives or those in the Alcatel-CTT subsid-

iary who are also being investigated on the same charges related to over-billing.

Mr Suard's lawyer yesterday

Marc Viénot, Société Générale president, is rumoured to be the most likely choice

described the appeals ruling as "an improvement which does not satisfy me". He had argued

that there would be no harm in his client returning to work. French magistrates impose such bans where they believe a person might seek to tamper with evidence or influence witnesses.

Speculation about Mr Suard's formal removal as chairman has been prompted by the widespread sentiment in the markets and within Alcatel itself that the industrial group - which is the world's largest supplier of telecommunications equipment as well as the maker of the TGV high-speed trains - cannot continue headless much longer.

The role of an interim head

for Alcatel would be to lead the search for a permanent successor to Mr Suard.

Mr Marc Viénot, president of the Société Générale bank who sits on the Alcatel board, has been rumoured to be the most likely interim choice.

His bank is Alcatel's single largest shareholder, with 6 per cent of the capital and 9 per cent of the voting rights.

Other possible board members who might temporarily step into Mr Suard's shoes are Mr Jean Peyrelevade, the president of Crédit Lyonnais, and Mr Jacques Friedmann, the president of the UAP insurance group.

EU and Canada near deal on fish dispute

By Emma Tucker in Brussels

The EU and Canada were on the verge of resolving their dispute over fish stocks in the north-west Atlantic last night after ambassadors agreed on all but the sensitive issue of Greenland halibut quotas.

Negotiators in Brussels said the main European Union demands on enforcement and control of the fishing waters, compensation for the owners of a Spanish trawler seized in international waters, and a cut-off date for extending the deal beyond the EU and Canada had been met.

"A lot of progress has been made and we hope to complete the process very quickly," said a Spanish diplomat in Brussels yesterday. But they still had to finalise details on the sharing-out of Greenland halibut - the only commercially viable fish in the once-rich grounds of the north-west Atlantic.

Diplomats were last night considering ways of reallocating the fishing quotas of some non-EU countries, including Russia, to Spain and Portugal in order to solve the issue which has been at the heart of the heated row.

Talks had hit a snag earlier in the day after Portugal refused to accept the latest plan for sharing out the total catch of the halibut.

Spain and Portugal have been offered 10,000 tons of a total quota of 27,000 tons with 80 per cent going to Spain and the remainder to Portugal. The figures represented a large decrease for both countries.

"We are against the deal. We must solve the quota problem," said a Portuguese spokesman.

But an official of the European Commission said all the elements for a deal remained in place. The dispute between the EU and Canada was precipitated on March 3 when Canada banned Spanish and Portuguese vessels from fishing for Greenland halibut - or turbot - in an area of the Grand Banks beyond the internationally recognised 200-mile limit.

The fishing row flared into a full-scale confrontation when Canadian coastguards seized a Spanish trawler last month, alleging that it was fishing illegally. There have since been further confrontations, with Spanish fishermen alleging that their nets were cut and the EU formally condemning Canada for the action.

A Canadian official said the country had not been involved in the latest talks. "We've had no contacts with our EU counterparts since the ambassadors' meeting got under way this morning. We've had a negotiated settlement since last week... we're waiting to hear the results of the meeting."

Balladur defends bank chief after attack by Chirac

By David Buchanan

France's newly independent central bank and its right to speak out on government deficits and pay settlements, were yesterday dragged into the French presidential campaign, with Prime Minister Édouard Balladur defending the Bank of France against an attack on it by Mr Jacques Chirac, the mayor of Paris.

Mr Balladur and Mr Chirac, both Gaullists, are challenging each other in the presidential elections, the first round of which takes place next Sunday.

Without naming Mr Chirac, the prime minister yesterday cautioned "all candidates" against "polemics against the governor of the Bank of France, charged with defending the currency".

Earlier this week, Mr Jean-Claude Trichet, the Bank of France governor, accompanied the bank's annual report with a call for "measured" pay settlements and for a reduction in the public deficits.

Apparently taking this as criticism of his general support for pay rises and of his intervention on public finances, Mr Chirac, front-runner in the presidential race, complained on radio on Thursday that "the governor of the Bank of France is not there to tell the government what economic policy it should follow, or to tell the social partners [employers and unions] what to do".

"It is not because [Mr Trichet] has responsibilities, which no one contests, that one has to take as gospel the judgments that he offers," added Mr Chirac.

The central bank, which

gained autonomy last year in the conduct of monetary policy, said it was only doing what the Bundesbank does in Germany. Mr Trichet was within his rights to offer recommendations to the country's political authorities, it argued, because its responsibility for monetary stability could only be achieved with a matching economic strategy.

Mr Balladur said yesterday that "we must all ensure that confidence in our money is not hurt by polemics, which one ought to forgo even during an election campaign".

The franc was briefly hit last year when Mr Chirac called for a future referendum in France on European monetary union. He quickly dropped this call, and yesterday claimed in a letter to ex-President Valéry Giscard d'Estaing that his economic programme would cut the French budget deficit sufficiently to allow France to join a single currency by 1999, though not by 1997.

Meanwhile, the Socialist candidate, Mr Lionel Jospin, criticised "the ambiguities" of Mr Balladur and "the shady zig-zags" of Mr Chirac on European policy, and claimed he alone had put Europe "at the heart" of his programme, which he outlined yesterday.

His foreign policy clearly owes much to Europe to his chief patron, Mr Jacques Delors, the Socialist ex-European Commission president, and much on defence to Socialist President Mitterrand. But Mr Jospin went further to suggest that, by forgoing nuclear modernisation, France could cut defence spending by 1.3 per cent a year and still improve its conventional forces.

Campaign to cut jobs and costs Germany takes axe to the public sector

By Judy Dempsey in Berlin

Mr Manfred Kanther, Germany's interior minister, plans to push through sweeping changes in public administration in an effort to cut the state's share of gross domestic product.

In proposals unveiled this week, Mr Kanther said his paper was the first step in implementing the government coalition's agreement forged after the federal elections last October.

The phased reforms would entail cutting public administration by 1.5 per cent a year over the current legislative period, ending in four years.

This would mean trimming the civil service by at least 14,400.

More than 6.5m people are employed in the public sector, of whom 2.18m are in the civil

service, the legal profession and the military.

The costs are split between the federal government, the 16 states and local communities.

The government last year allocated DM22.65bn (£10.2bn) to meet these costs, the states raising up costs of over DM150bn, while the local communities, which continue to expand the public sector administration, ran up costs of more than DM58bn.

Under Mr Kanther's plans, voluntary retirement will be encouraged and the retirement age will be lowered from 63 to 62 for the highest positions. Officials on other levels meanwhile will be able to retire at the age of 56. Early retirement could ease the pension contributions which the federal and state governments pay to public servants.

The latter are already exempt from paying the full pension contribution. They are also exempt from paying some taxes, partly to compensate for the low pay they receive compared with the private sector.

Mr Kanther also wants to introduce more part-time work and a promotion system, which could include taking staff from the private sector in an attempt to make the administration more flexible.

All civil servants and public sector employees are on permanent contracts.

Attempts to cut the administration by the federal government are already taking place. Last year, Chancellor Helmut Kohl slimmed down the cabinet to 16 posts by merging two ministries.

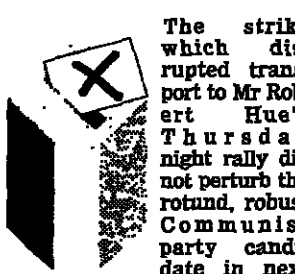
However, there are few indications that the states are yet prepared to make cuts.

According to a Bundesbank report, local authorities raised their staff levels by an annual average of 1.75 per cent.

"Obviously no major efforts at streamlining the administration were made," it said.

Communists' Hue eyes growing rating in polls

By John Riddling in Paris



FRENCH ELECTIONS
April 23/May 7

The strike which disrupted transport to Mr Robert Hue's Thursday night rally did not perturb the robust Communist party candidate in next weekend's first-round presidential election.

"It shows his message of social justice is what people care about," said one of the 15,000-strong audience at Le Bourget to the north of Paris.

"It feels a bit like the '80s," added a vendor of Humanité, the party newspaper, referring to the wave of industrial disputes which have hit France's airlines, postal services and several private sector groups over recent weeks.

Mr Hue, however, is not seeking a return to the 1980s. Since taking the helm of the party last year, he has sought to revolutionise its image and tactics, condemning Stalinist dogmas and modernising the party message. "We are still Communists but we have changed. We are not inflexible, or sclerotic," he declares.

The stakes involved extend beyond reversal of the collapse of the Communists, who have seen their share of the French vote fall from about 25 per cent in 1972, when Mr Georges Marchais started his long tenure as general secretary, to a meagre 6.8 per cent in the 1988 presidential election.

Mr Hue's struggle will also help determine the electoral fortunes of Mr Lionel Jospin, the Socialist candidate, who is competing with Mr Édouard Balladur for place in the second round run-off on May 7.

"Jospin seems well placed, but the better Hue does the tougher the struggle will be," said a Paris politics professor.

The vigour with which Mr Hue addresses his enthusiastic audience reflects the momentum he has gained. So do opinion polls, which give him about 9-10 per cent of first-round vot-

ing intentions. Part of the improvement is explained by the strident delivery of traditional messages. Mr Hue's angry demands for greater equality and opportunity have found support at a time of heightened concerns about France's unemployment, the worst in the Group of Seven industrialised countries, and widening social divisions.

Lambasting "King Money", he calls for a rise in the minimum wage from FF6,000 (\$778) to FF7,500 a month, a cut in the working week from 39 to 35 hours with no pay reduction, and a FF1,000 rise for everyone on less than FF15,000 a month. His attacks on the social costs of European integration have also attracted waverers in the relatively pro-Maastricht Socialist party.

Gone, by contrast, is the old ideological baggage. "Regimes in the east were the perversion of communism," he said at the beginning of the campaign, marking a radical shift in party policy. "We should have been sooner with that model." Reflecting his increased emphasis on democratic rights, he now rails against the present inhabitants of the Kremlin. "Russian tanks in Chechnya are no more acceptable than Soviet tanks in Afghanistan," he says.

But Mr Hue's buoyant form is as much a result of style as substance. At 48, he is among the youngest on the campaign trail. His cheerful visage, with bushy beard and balding head, have helped soften the Communist image, striking a marked contrast with the austere Mr Jospin.

A one-time pop singer - aka Bob Belton - Mr Hue is also more open than his predecessors to youth culture. He entered the hall at Le Bourget to a jazz-funk track, bouncing his way to the stage through a relatively young crowd.

Although the Internationale has been maintained, the general secretary departed to Miles Davis.

Not all comrades have been won over. The relatively strong showing for Ms Arlette Laguiller, the Trotskyite head of the Workers' Struggle party who is garnering up to 5 per cent of voting intentions, partly reflects her attraction to dyed-in-the-wool Marxists.

Party officials at Le Bourget, however, claimed the rank and file are increasingly supporting Mr Hue. Even Mr Marchais, a longstanding hardliner, backed his comrade's bid for the leadership and accepts the reforms of his successor.

For Mr Hue this is cause for satisfaction. But for the left as a whole, it may be cause for concern. Although Mr Jospin would be expected to garner much of the Communist vote in a second-round run-off, Mr Hue's dynamic campaigning could damage the Socialist's chances of making it that far.

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Tajik raids may draw Moscow deeper into conflict

By Steve Levine in Alma Ata and John Thornhill in Moscow

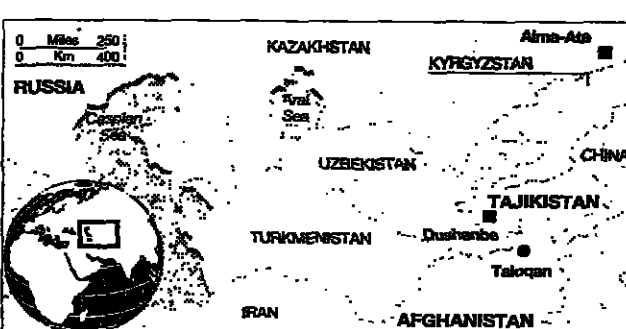
A recent series of raids by Islamic opposition forces in Tajikistan - sparking fierce retaliatory attacks from Russian-led border troops - threatens to draw Moscow deeper into a second guerrilla conflict in its southern borderlands and revive hostilities with Afghanistan.

With an estimated 60,000 Russian troops still committed to crushing resistance in the breakaway region of Chechnya, Moscow is considering whether to step up its involvement in Tajikistan where it already has 25,000 soldiers to bolster the regime of President Imomali Rakhmanov and shield the Afghan border.

Tajik opposition forces, which were driven out of Tajikistan after losing a bitter civil war in 1992, have launched several raids from Afghanistan where they have received support from fellow Islamic groups.

Military experts suggest Russia's commitments are likely to strain the army's budget at a time when the government is trying to implement spending restraints. Mr Boris Yeltsin, Russia's president, called yesterday for greater collective efforts by the Commonwealth of Independent States to end the instability in the region.

But the Afghan government protested to the United Nations on Thursday that Russian aircraft had invaded their airspace, bombing the northern



town of Taloqan, killing 125 civilians and wounding 350. There was no independent confirmation of the casualty figures against presumed Tajik opposition bases. Russian officials denied their aircraft were involved.

For its part, the Afghan gov-

ernment has consistently rejected Russian claims that it supports the Tajik opposition forces other than through humanitarian aid. But the links between Afghanistan and Tajikistan are strong. Senior Afghan politicians, including the military leader Ahmad

Shah Massoud, are of Tajik descent and covertly support the Tajik opposition forces. Some estimates suggest 4m Tajiks live in Afghanistan.

Despite a ceasefire signed last year, Islamic opposition forces have been intensifying their attacks within Tajikistan, killing at least 35 border guards in recent days.

Although it no longer shares a border with Russia, Tajikistan remains of great strategic and financial importance to Moscow. The staging post for the Soviet advance into Afghanistan in 1979, it is seen as a bulwark against the perceived threat of Islamic fundamentalism. A small country of 5.4m people, it remains the poorest of the former Soviet republics, and is still heavily

reliant on Moscow for economic support.

Mr Albert Chernyshev, Russia's deputy foreign minister, yesterday confirmed renewed peace talks between the Tajik government and the Islamic Renaissance Party, the main opposition grouping, would be held in Moscow on Monday.

But leading Tajik opposition leaders appeared sceptical of what could be achieved at these peace talks.

Mr Abdulnabi Safarzade, president of the opposition Democratic Party of Tajikistan, has said that his party would only participate if the Russian-led border guards withdrew from the frontier, respected last year's ceasefire and handed deployments to the Gorno-Badakhshan region.

Denktash takes firm line for Turkish Cypriot poll

By John Barnham in Nicosia

Voters in the Turkish Republic of North Cyprus will today elect the president of a state created following the 1974 Turkish invasion and recognised only by Turkey.

However illegitimate he may be, the Turkish minority's leader may be the man to resolve one of the region's most intractable disputes.

There are seven candidates in this presidential election, but only two have a serious chance of success. One of them, the incumbent Mr Rauf Denktash, 72, is the grand old man of Cypriot politics and the likely victor. Mr Denktash's speech at his closing rally was

a tour de force of raw nationalism. He howled: "My fight is for freedom." The crowd chanted back: "Cyprus is Turkish and will remain so - Denktash is our leader."

His harangue hardly seems to carry intimation of peace. As uncompromising as ever, he emphasised his close ties with Turkish leaders and attacked his enemies, the Greek Cypriots, his campaign opponents and the European Union in equal measure.

The EU has become closely involved in Cyprus. In March, Mr Alain Juppé, French foreign minister, reached a formula in which Greece lifted its veto over an EU-Turkey customs union in exchange for

opening talks on EU membership for Cyprus. Negotiations could begin in 1998. For the first time, diplomats say, there is a deadline concentrating Cypriot minds on a settlement.

However, Mr Derviş Eroglu, former prime minister and Mr Denktash's closest rival in the elections, says if the Greek half of the island joins the EU, Northern Cyprus will simply integrate with Turkey. "The [deadline] is pushing us towards integration of Turkish Cyprus with Turkey. Instead of increasing trust, it will reduce trust that has been built up."

Mr Denktash is more dismissive: "If Cyprus joins the EU and Turkey is left out, he says, "it would be the same thing as

uniting Greece and Cyprus".

However, the bravado masks growing pressure on Turkish Cypriot leaders, not only from Brussels, for a solution. Turkey's future in Europe and its place in the western world depend in large measure on resolving the Cyprus question. Ankara is believed to be pressing Mr Denktash to become more conciliatory. A cut in Turkish aid has further underlined north Cyprus's vulnerability.

The US, which has considerable leverage over Ankara, believes progress in Cyprus will cut tension in one of the world's most volatile regions.

There is also pressure from within. Voters feel a debt of

gratitude to Mr Denktash, as the champion of their rights, but are also conscious of the north's poverty and the south's prosperity. A settlement would lift an embargo on the north. EU membership could bring substantial regional aid. This is why Mr Denktash may not win an outright majority today and be forced into a difficult second round of voting next Saturday.

Mr Cengiz Dana, 30, manager of a sports club, and one of the 113,000 people voting today, says: "The most important thing is peace. There is no economy here, there is no production. We are just living on what Turkey sends us." Mr Dana, whose brother was killed

in fighting between Turks and Greeks, adds: "The problems were caused by politicians on both sides. There are many obstacles to peace and Denktash is one of them."

Still Mr Dana is probably in a minority. One of his neighbours, Mr Akif Özgür, a farmer, says: "Denktash is a great man. When I was a refugee from the Greek terrorists I went to him for help and he gave us food and housing."

Although he may seem as tough as any, many Turkish Cypriots believe Mr Denktash is ready to talk peace. And as many believe only he has the vision, the cunning and the strength to negotiate with a hostile world.

سكنا من الامم

Package falls short of modest expectations

Gerard Baker measures the disappointed reaction to Japan's new moves to cure its economic ills

Japanese businesses, consumers and financial markets have become so used to disappointment at their government's much-vaunted and increasingly frequent emergency economic packages that expectations of what these might deliver have gradually been lowered close to zero. So it was quite a feat that yesterday's latest series of measures was able to undershoot even these diminished expectations.

That initial judgment might seem a little harsh. The Bank of Japan's historic decision to cut its official interest rate to another all-time low might have been expected to impress even the most cynical analyst. Not since the days of the Great Depression, of the 1930s has a leading industrialised country had an official cost of borrowing of just 1 per cent.

Yet even the bank's move, which had been widely expected in any case, lost some of its impact in the overwhelmingly negative reaction to the government's measures. More important: most investors yesterday were willing to bet that the scale of Japan's underlying economic problems was far too great to succumb to one, rather belated, cut in interest rates.

The economic package itself was a particular disappointment. There had been hopes that the government would

commit itself to a larger fiscal stimulus and a further-reaching programme of deregulation than it had hitherto planned. Both would have the effect of boosting consumption and imports, and have gone some way towards removing one of the fundamental reasons for the yen's strength, the high trade surplus.

But the plan again contained nothing specific on public spending and only a commitment to implement the current planned regulatory measures (themselves widely regarded as inadequate) within three, rather than five, years.

"It was not enough," said Mr Keisuke Iwasa, chief economist at Sanwa Research Institute. "The market hoped for something precise. But we got the same vague expressions."

So, in the absence of real progress, it was the Bank of Japan's move that carried most significance. A cut in the official discount rate had been expected soon but the timing was still a surprise. The bank has been stalling on a cut for several weeks, despite pressure from ministers and the public.

It had, until yesterday, been reluctant to appear to be giving in to international and domestic political pressure, and wanted to wait until there was firm evidence that the yen was damaging the economic

Japanese economic package

- An early supplementary budget
- Broader use of government bonds
- More public works spending
- Promotion of imports, especially cars and housing materials
- A planned 5-year deregulation plan to be carried out in 3 years
- Promotion of international use of yen
- Extra support for small business
- Banks will be encouraged to write off more bad debts
- Lower utility charges to be considered

recovery. The move yesterday suggested that the bank had been propelled into a cut more rapidly than it had planned. Why?

Some viewed it as a worrying surrender by the central



Mr Yasuo Matsuhashita, governor of the Bank of Japan

bank of much of its hard-fought independence. Since Mr Yasuo Matsuhashita took over as governor last December, there have been doubts about whether he would stand up to political pressure as firmly as

did his predecessor, Mr Yasushi Mieno, who took the bank on a hawkish anti-inflationary course, despite the protests of politicians and bureaucrats.

But Mr Matsuhashita's defence

is a strong one. The bank almost certainly was influenced by the government's actions, but in a rather different way. It may well have been so concerned about the inadequacy of the emergency measures that it felt it had to act quickly to prevent a financial meltdown.

"At least part of the explanation was that the bank was clearing up after the government's folly in not doing what it should have done," according to Mr Dick Beason, senior economist at James Capel Pacific.

"I think there was some relief that the currency market did not react more negatively. Given the likelihood of a disappointing emergency package, there was a widespread expectation that the market would react strongly. The interest rate cut probably prevented that," said Mr Toshio Koyano, chief economist at DKB Research.

Whatever the motive for the bank's move, the question for local currencies was whether it would prove enough to wing the yen and boost the economy. The answer was not encouraging.

The Japanese economy is under strain from two powerful pressures. The first is a lack of consumption that continues to manifest itself principally

in the country's persistent trade surplus. That is the impediment the government's rescue package signally failed to address.

The second is a chronic deflation in asset prices, threatening the stability of the entire economy. For the last five years, property and equity prices have been in freefall. That has fed through to prices for all assets and even consumer goods. It has been compounded by the strong yen, which has slashed the value of companies' overseas investments. That cumulative deflation has forced Japan's businesses, seeing their balance sheets shrink, to retrench.

While asset prices are still falling, Japanese investors still want to hold cash, denominated in yen. Even if that cash is yielding just 1 per cent, it provides a better return than domestic stocks, land or capital, whose value is continuing to fall, or overseas assets, which, though they might be producing positive returns in local currencies, are losing value against the yen.

Until that deflation is reversed, Japanese companies will steer clear of anything other than cash, even at historically low interest. That suggests that rates might yet have further to fall, and the yen may have further to rise.

Tokyo braced after sect warning

By Eniko Terazono in Tokyo

Residents of Tokyo braced themselves last night, and police set up roadblocks as part of a security operation ordered by Mr Tomiichi Murayama, the prime minister, after a prophecy that the city would suffer an unspecified catastrophe today.

The prediction came from Mr Shoko Asahara, leader of Aum Shinri Kyo, the sect of Supreme Truth, which has been blamed for a nerve gas attack in Tokyo's subway last month. In recent writings, Mr Asahara predicted that a disaster far larger than the Kobe earthquake would hit Tokyo on April 15.

Aum members claim that he had predicted the January earthquake and that it had been caused deliberately by an earthquake machine.

Television news presenters tried to calm viewers yesterday, saying it was foolish to panic. But many residents of the capital, shaken by the recent terrorist attack, have been unnerved by the sect leader's predictions.

Two department stores in Shinjuku, a leading shopping area in central Tokyo, have decided to close for the day. Railway and subway stations sealed off public lockers. The radio for US military forces urged listeners to take care during the weekend.

The prophecy was not specific but authorities fear that sect followers could launch an attack so as to fulfill it.

The police have stepped up their investigations of Aum, raiding 120 facilities in Japan. More than 100,000 police, the largest mobilisation in post-war Japanese history, have been involved in the offensive against the sect.

During the last few days, three of the sect's divisional leaders have been arrested on charges of kidnapping, handling guns and trespass. But the authorities have yet to establish a firm link between the group and the nerve gas attack.

Further job cuts in industry raise fears of growing unemployment

By William Dawkins in Tokyo

The yen's strength spread more pain through Japanese manufacturing industry yesterday, when two more companies announced job cuts.

Sumitomo Metal Industries, Japan's third-largest steelmaker, is to shed 1,500 jobs over the next two years, on top of the 4,300 job losses already planned. Of the new losses, 1,000 will come from manufacturing and 500 from white-collar staff.

Separately, Mitsubishi Materials, the leading producer of metals and ceramics, warned that it was considering plans to pull out of zinc smelting, due to the sharp decline of the

dollar, in which zinc is priced internationally. The group employs 206 people in its zinc smelter, all of whom would be found new jobs.

Sumitomo said the yen's strength was likely to drive more of its Japanese industrial customers to cheap manufacturing bases overseas than it had expected when it started the cost-cutting plan in 1993. It expects to have cut the 20,000-strong workforce by 4,300 by September, a year ahead of schedule. Even so, the group is expected to report financial losses for the second year running in the fiscal year to March 1995.

The number of companies planning to cut their workforces appears

to be on the rise, according to a survey published by the Japanese labour ministry yesterday.

Of a sample of 1,000 companies, 5.1 per cent said they had made fresh job cuts or planned to do so because of the yen's strength - up by one percentage point from the previous survey last June.

This has yet to feed through to an increase in the official unemployment rate, now a mere 2.9 per cent and evidence of Japan's remarkable ability to stave off heavy redundancies. But the competitive pressures exerted by the yen's strength adds weight to fears that the jobless rate could start to rise.

Washington makes fresh effort to open Japanese vehicle market

By George Graham in Washington

Senior US and Japanese officials will resume talks in Washington on Monday, in a final effort to resolve their dispute over trade in cars and motor parts. The US has recently been intensifying threats to impose trade sanctions if the matter is not settled.

After technical discussions this week, the US is showing growing impatience at the Japanese government's reluctance to remove obstacles to the sale of US cars and auto parts in Japan.

White House officials this week reiterated the US readiness to con-

sider "other options" if negotiations were to fail, and they have begun to draw up a list of Japanese products which could be hit with punitive tariffs if no settlement is reached.

US officials say they are frustrated at Japan's insistence that its inspection procedures for imported car parts are designed solely for safety, and that the Japanese government cannot press its car makers to buy more US parts.

"We have made progress on some issues but we are very concerned about some of their practices in the auto sector, and we believe that they keep competitive foreign products out of the Japanese market," said Mr

Michael McCurry, the White House spokesman.

Cars and car parts are the last sectors remaining to be addressed in the Clinton administration's effort to tackle a series of "baskets", in which US exporters complain of Japanese trade restraints.

The talks on Monday and Tuesday will be led on the US side, by Mr Jeffrey Garten, under-secretary of commerce, and Mr Ira Shapiro, general counsel of the US trade representative's office. Japan's delegation will be led by Mr Yoshihiro Sakamoto, deputy minister of international trade, and by transport ministry officials.

SA president again refuses to give reasons for dismissal of his wife

Winnie Mandela sacked again

By Roger Matthews in Johannesburg

Mrs Winnie Mandela was sacked yesterday from the South African government of national unity, for the second time in less than three weeks.

The estranged wife of President Nelson Mandela had been reinstated as deputy minister of arts, culture and science on Wednesday, when the government accepted the legal argument that her dismissal on March 27 had been "technically and procedurally invalid".

Mr Mandela again refused yesterday to give reasons for the sacking of his wife, which will take effect from Tuesday. "There is no requirement for reasons behind such decisions to be made public," Mr Mandela said. "The overriding consideration is what the president believes is necessary in pursuit of good government."

It is unlikely that the combative Mrs Mandela will let the



Mrs Mandela. Twice removed

matter rest there. The admitted government error in the original dismissal was not to have properly consulted Chief Mangosuthu Buthelezi, minister of home affairs and leader of the Inkatha Freedom Party, as required by the interim constitution. Mr Buthelezi, happy to embarrass Mr Mandela's politically dominant African

National Congress, complained that the omission had violated the constitution.

President Mandela rectified the error on Thursday evening, when he met Mr Buthelezi and Mr F W de Klerk, deputy president and leader of the National Party, to inform them of his intention to dismiss his wife.

But Mrs Mandela may still believe she has a constitutional right to know the reasons for her dismissal, one of the arguments in the legal action she launched in the Pretoria supreme court last Monday.

President Mandela said on Thursday that the reputations of governments were not affected by such issues, and the ANC yesterday again issued a statement fully supporting the removal of Mrs Mandela from government. But Mr Mandela admitted that he had been poorly advised, while Mrs Mandela will have been buoyed by her temporary legal success which she must hope

will bolster her sought-after political image as a defender of the deprived and oppressed.

One of the main, unstated reasons for the dismissal was Mrs Mandela's repeated attacks on government policy and her accusation that it was doing more for white people than for black people. She retains a strong platform as a member of parliament and head of the powerful Women's League in the ANC.

During his meeting with Chief Buthelezi and Mr de Klerk, President Mandela sought to bring an end to another dispute which has led to the Inkatha Freedom Party walking out of the constitutional assembly. The IFP says it will not return to the assembly, which is drawing up the final constitution, until the ANC and the National Party honour their year-old agreement to bring in international mediators over its demands for greater regional autonomy.

Central bank moves to consolidate merger process in sector

Argentina to close some banks

By David Pilling in Buenos Aires

Several regional Argentine banks will not open their doors on Monday, after the central bank moved to speed up the consolidation of a banking sector severely hit by the credit crunch that followed Mexico's devaluation last December.

"We are going to close a number of entities for which the situation would have become irreversible if we had not acted," Mr Roque Fernandez, Argentine central bank president, said yesterday. The number of banks that faced 30-day suspensions was "very small", he added, implicitly denying market rumours that as many as 20 private institutions would be suspended.

Argentina has more than 150 banks. Most private economists see that as far too many for efficient management of total deposits worth the equivalent of only \$40bn (£25bn).

"Fundamentally what we have here is a problem of liquidity," Mr Fernandez said. "The problems of solvency are minimal."

Some 20 entities are believed to have stopped honouring customer deposits, which has been prompting calls from some

opposition politicians for mass bank suspensions.

Portfolios of banks with liquidity problems would be transferred to more solid banks, accelerating a merger process that had already started, Mr Fernandez said.

Only banks with largely uncollectable portfolios would face indefinite closure.

The system would avoid "trauma for depositors" by fostering mergers and avoiding unnecessary closures, said Mr Domingo Cavallo, Argentina's economy minister.

If banks were simply liquidated, their assets would deteriorate and "depositors would end up losing everything."

The minister added that, at the start of the year, there had been no cases of insolvency, but he admitted: "Some solvency problems may have arisen as a result of three months of very high interest rates and depressed prices of bonds and shares" held by banks.

But most banks had been able to absorb these problems, he said.

He dismissed as "irresponsible" and "politically motivated" suggestions by Mr Rodolfo Terragno, a senior opposition Radical party politician.

He has claimed that Argentine banks in

difficulty held \$8bn-\$12bn of deposits, or 20-30 per cent of all deposits in the national banking system.

"There are still very few cases of insolvency," Mr Cavallo said. "We won't adopt the policies suggested by the opposition ... and leave millions of savers trapped." Instead, banks would be "recapitalised and restructured" by a \$2.5bn trust fund set up last month.

Mr Fernandez said that the central bank would "search for rapid solutions" to the problems of suspended institutions.

By separating high-quality portfolios from non-performing loans, there should not be much difficulty in persuading bigger banks to absorb weaker ones, he said.

From next Tuesday, bank customers will be able to fall back on a deposit guarantee scheme which will ensure 100 per cent of savings - of up to \$10,000 for deposits of less than 90 days and \$20,000 for longer deposits.

However, bank deposits made before next Tuesday will not be protected by the scheme unless they are renewed after that date.

Argentina currently has no deposit guarantee scheme, nor a lender of last resort.

Immortals still inhabit the pantheon after mortality strikes

Tony Walker examines the remaining elderly heavyweights in China's ruling Communist party for signs of active political life

And then there were five. The death of two of the week of Chen Yun, the 90-year-old patriarch of China's conservatives, cast the spotlight on the country's Communist party elders and raised the issue of who might become the most influential of them now.

Mr Chen's death leaves five survivors of those referred to as the "eight immortals" among a "council of elders" known as the Central Advisory Commission, established in 1987 to advise leaders of the younger generation.

Of the eight "immortals" afforded status in the Communist pantheon, three have died: In 1992, Mr Li Xiangnian, former president of the republic; in 1993, Mr Wang Zhen, a crusty ultra-conservative; and now Mr Chen Yun, who was known as the godfather of China's central planners.

The five survivors are: Mr Deng Xiaoping, 90, the senior leader; Mr Peng Zhen, 88, a former mayor of Beijing; Mr Song Renqiong, 85, an army general; Mr Yang Shangkun, 87, a former president; and Mr Bo Yibo, 86, a former finance minister. All were on the long march with Mao during China's revolution.

But of the five surviving "immortals" at least two are showing distinct signs of mortality: Mr Deng's health is now thought to be so poor that he is unable to take much interest in day-to-day affairs, and Mr Peng Zhen is so enfeebled that he is confined to a wheelchair.

Of the three "active" immortals, Mr Yang Shangkun, a Sichuanese like Mr Deng Xiaoping, is seen as the most likely to assume a higher profile in the new era - if he remains reasonably good health.

In Beijing, a western official said that Mr Yang had started "creeping back" into prominence in the past year, although she doubted that China's elders would be in a position to assert themselves in the way that Mr Deng and Mr Chen Yun had done.

"They're increasingly irrelevant," she said. "The death of Mr Chen Yun hardly caused a ripple beyond the solemn television coverage. Next day, it was business as usual."

Mr Yang Shangkun was placed under something of a cloud in 1992, at the time Mr Yang Baibing, his younger half-brother, was removed from senior positions in the army. He was alleged to have

Four of China's immortals



Deng Xiaoping
The aging paramount leader whose family has a powerful corporate network



Bo Yibo
His son runs the northern city of Dalian



Peng Zhen
Onetime Beijing mayor who opposed rapid reforms



Yang Shangkun
Former president who hopes to be Deng's successor

convened a group within the military to discuss how to handle the post-Deng era. This is taboo, even as Mr Deng's health continues to deteriorate.

The elder Mr Yang, a long-standing ally of Deng's, was not directly implicated in this alleged "plot". But, in 1992, he lost his vice-chairmanship of

the central military commission, which is the peak military organisation. The following year, he was replaced as president of the republic by Jiang Zemin.

For a time, he was barely mentioned in China's official media, but his words are now carried in such publications as

People's Daily, and his "inspection tours" are shown on television. He travels with a large entourage.

At the time of spring festival, in January this year, he was featured prominently, touring Guangdong province, adjacent to Hong Kong, and imparting the same message as Mr Deng

had done three years previously on his famous southern tour.

Local officials were urged to "continue to seize the opportunity, surmount difficulties and speed up the pace of reform, opening and economic construction," said an official Xinhua news agency dispatch.

Mr Yang's future role is likely to depend, to an extent, on a smooth transition to the post-Deng era. If that proves rocky, then the veteran of China's recent turbulent past may well play a more important role as a power-broker in uncertain times. He remains influential in sections of the party and military, although this influence has been diminishing.

Of the other two "active" immortals, Mr Song Renqiong and Mr Bo Yibo appear from time to time in the official media. However, their ability to influence events is almost certainly limited. Both are highly respected within the party, but have never played a role as factional leaders.

Their function recently, like that of many of their fellow veterans, seems to have been to alert China's rulers to the dangers of corruption, and to stress the need for party housecleaning so as to avoid continued decay. These themes were reflected in the resolution of last September's fourth plenary session of the 14th central committee, which called for a comprehensive campaign to improve the behaviour of party officials from grassroots up.

Among veterans who fall short of "immortal status", but could be important, Mr Zhao Ziyang, the 76-year-old former premier, provides intriguing possibilities. It is not impossible that Mr Zhao, who was stripped of all his posts at the time of the Tiananmen massacre for having let the student protests get out of hand, will seek a role for himself once Mr Deng has left the scene.

But any rehabilitation for Mr Zhao would present China's rulers with a large dilemma, not least because it would require a reversal of judgments about the events of 1989. This in turn would affect the reputations of not only Mr Deng but of others involved in the decision to sanction military action against the demonstrators. These include Premier Li Peng, who gave the order for the crackdown.

Mr Zhao is said to be in relatively good health, and to have begun travelling in the past year or so after being under virtual house arrest in Beijing. Even so, he remains a non-person for the official media. Any change to that status is far beyond his control, and likely to remain so for the foreseeable future.

NEWS: UK

Weak pound helps push up import costs

By Robert Chote,
Economics Staff

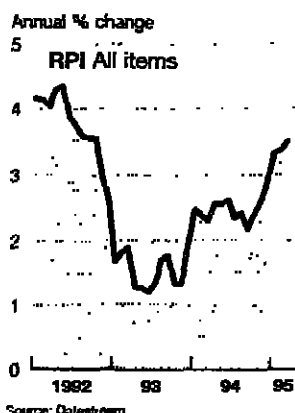
The cost of imported raw materials has risen more in the last 12 months than in any equivalent period for nearly 18 years, according to the Central Statistical Office.

The weak pound and high commodity prices meant that the cost of imported basic materials was 18 per cent higher in January than in the same month a year earlier. Annual increases this size were last recorded in 1977.

With production of manufactured goods rising strongly during that period, many companies had no way to avoid these cost increases. So despite the big rise in their price, the volume of basic material imports also rose by 7 per cent in the year to January.

The recent strengthening in UK company investment also appears to have triggered a surge in imports of capital equipment, which were nearly 5 per cent higher in the three months to January than in the

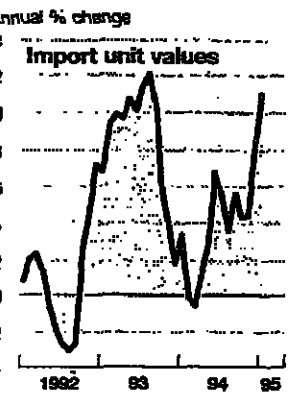
Inflation rises as trade gap with EU continues to widen



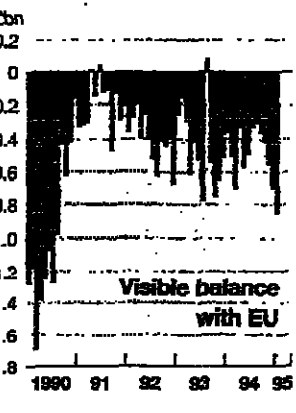
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Source: Datastream

previous three months. Investment spending tends to suck in more imports than consumer spending, because Britain has a relatively small capital goods industry to satisfy demand.

Thursday's figures also revealed that Britain's visible trade deficit with other EU countries had widened for the fifth successive month in January to £851m (£1.35bn). This

was the biggest shortfall between exports and imports for four and a half years.

Combined with previously published figures for trade with non-EU countries, this gave a total deficit of £1.44bn in January. Excluding oil and erratic items, the deficit was £1.6bn, down from December but otherwise the highest figure since May 1993.

Volumes of imports and exports both fell in January, while prices rose. The CSO is continuing to investigate the accuracy of the split between price and volume changes, but that price movements had been shadowing exchange rate changes reasonably accurately in recent months.

Mr Adam Cole, economist at James Capel, said: "The Janu-

ary data confirm that the UK's trade deficit is now on a deteriorating trend. The recent weakness of exports is probably temporary, particularly in the light of sterling's latest fall, but the strength of imports will be a more lasting phenomenon". Most City economists expect the trade deficit this year to be offset by a surplus in trade in invisibles and

flows of investment income, leaving the current account in the black.

● A sharp fall in house prices helped subside the rate of UK inflation last month, but the annual increase in the retail prices index still rose to a two and a half year high.

Retail prices rose 0.4 per cent to a level 3.5 per cent up on a year earlier, the Central Statistical Office said on Thursday. This took the index to 148.6, compared with 100 in January 1987. Inflation stood at 3.4 per cent in February.

House prices fell 2.5 per cent in the month, based on surveys by the Department of the Environment and the Halifax and Nationwide building societies. Economists believe the inclusion of house prices in the index will make short-term changes in inflation much more difficult to predict.

Household goods prices rose 1.5 per cent in March, the biggest increase for the time of year since 1986. This followed the biggest February increase since the early 1980s.

Lloyd's looking at move aimed at capping loss

By Ralph Atkins,
Insurance Correspondent

Lloyd's of London authorities are considering taking temporary charge of billions of pounds worth of liabilities outstanding on old insurance policies as a means of offering Names a "cap" on their losses in an out-of-court deal.

The creation of a new insurance syndicate to subsume Lloyd's "open years" would be an intermediate step before the establishment of Equitas, a government-regulated reinsurer company intended to take responsibility for liabilities on old Lloyd's policies.

Open years are accounts which have not been closed due to uncertainty about future liabilities. At last count Lloyd's had 478 open years, trapping thousands of Names, individuals whose assets have traditionally supported the insurance market.

A cap on litigating Names' losses is emerging as the most important part of settlement negotiations being carried out by Mr Peter Middleton, Lloyd's chief executive.

Lloyd's is due to outline

terms for a deal at the end of next month but Equitas is not due to come into operation until the end of the year - and will initially cover only 1985 and prior policies.

The 1985 cut-off would include outstanding US asbestos and pollution claims but not heavy losses incurred in the late 1980s and early 1990s from the so-called "spiral" by which underwriters agreed to cover others against excessive losses from catastrophes.

Proposals for settlement talks are adding to a maelstrom of ideas being debated among Lloyd's leaders for securing the market's return to prosperity. Under the market's three year accounting system Lloyd's is expected to report next month a loss of about £1bn for 1992, marking a low point in its fortunes. Substantial profits are expected to be reported for 1993.

Lloyd's has in the past set up dummy syndicates to settle the outstanding affairs of loss-making syndicates but not on the scale now being envisaged. Once Equitas is established, the syndicate could be "reinsured" into it.

Operators braced for Phoneday

Alan Cane on how the UK is planning a big number switch

If callers in Tokyo forget to place a "1" before a UK dialling code tomorrow, a polite recorded message in Japanese will put them right.

The call will be intercepted before it leaves Japan - one indication of the care international telecoms operators are taking to ensure that Phoneday, when British regional codes change, passes off smoothly.

The fear is that an avalanche of wrongly dialled calls could seriously disrupt international telephone traffic. The UK receives 2.5m calls from overseas every day. A similar number go from the UK. Catching misdialed calls before they leave the country of origin is one way of keeping the lines clear while ensuring that callers hear a message in a language they understand.

In the UK British Telecom, the biggest telecoms operator, has 22 messages - in English and Welsh - to cover every eventuality.

The Phoneday changes seem very simple on paper. From 2am on Easter Sunday all regional codes take a "1" after

The simplest way for callers from outside the UK to deal with the Phoneday changes is to think of Britain's well-established international country code, 44, as becoming 441.

To ring the Financial Times in London, therefore, a caller outside the UK would first dial the code for an international call - typically but not universally 00 - then 441 followed by the usual numbers: the city code 71 and then the exchange and switchboard numbers 873 3000. Five cities have new prefixes. Bristol becomes 179, Leeds 132, Leicester 182, Nottingham 159 and Sheffield 142. A call to, say, Bristol University from abroad would involve dialling 00 441 179 30 30 30.

the "0" while five cities - Bristol, Leeds, Leicester, Nottingham and Sheffield - have entirely new codes. In addition, international codes will have the prefix "00" instead of "01".

Planning and implementation has been going on for almost three years, however. Mr Alan Croft, BT's project manager for Phoneday, said it was "the biggest change we have had to implement across the entire network in one go".

It has cost BT an estimated £100m in manpower and systems alterations to make the change. Mercury, the second biggest operator, said it had spent £40m. The cost to UK business has been estimated at up to £3bn - chiefly for stationery and advertising.

The reason for the change is that the UK is running out of two and three digit codes - 71 for Central London, for exam-

ple, or 865 for Oxford. (Prefixed zeros, indicating long-distance or international calls, do not count.) There are now only 14 codes left out of just over 600.

The world's supply of telephone numbers is controlled by the International Telecommunications Union, set up by the UN. It maintains a global numbering plan in which each country has flexibility to devise its own scheme.

There are simple rules. No number may be longer than 10 digits, excluding international and country code prefixes. In moving from nine-digit to 10-digit codes the UK is on its limit.

From the end of next year, however - Time T as telecoms experts call it - up to 15 digits will be allowed. The reason is that countries such as Germany have big local numbers which are becoming difficult to

manage in a 10-digit limit. Adding a "1" to the "0" prefix does not, in itself, create any new numbers. But it does make it possible to create series of codes with the prefix 02, 03, 04 and so on, providing enough numbers to satisfy the UK's requirements for the foreseeable future. The 04 codes, for example, are used for mobile telephone services, while 09 indicates services carrying a special tariff.

Of the UK telecommunications watchdog, is about to consult widely on the best way to allocate the new coding possibilities. Traffic is expected to be light across the network this holiday weekend. On Tuesday morning, when the nation returns to work, operators will know how successful their three years of preparation have been.

Japan outranks Europe in car satisfaction study

By John Griffiths

Japanese car manufacturers take seven of the top ten places in this year's UK Customer Satisfaction Study conducted by J.D. Power, the leading US automotive consumer research group.

In a dismaying result for the domestic car industry, the highest-placed British manufacturer, Ford-owned Jaguar, was 15th.

J.D. Power's annual consumer satisfaction study in the US is long-established, widely respected and even feared by manufacturers who consistently fare badly.

Europe's motor industry has fought a so-far losing battle to dissuade J.D. Power from expanding the studies to Europe. This is the second study in the UK and others in Continental European markets are expected to follow.

The studies are structured to measure both car owners' attitudes to the quality of their vehicles and the service and care they receive from dealers.

Of the 30 manufacturers studied, Toyota ranks most highly among owners for the second year running. Second was Honda - up from third place last year - with Mazda and Proton, the Malaysian manufacturer tied for third place.

Fifth was Daihatsu of Japan and sixth the Korean manufacturer Hyundai. The highest-placed European company, Volkswagen-controlled Skoda, was seventh with three more Japanese manufacturers, Isuzu, Nissan and Subaru rounding out the top ten places.

The next highest-ranking European manufacturers were Mercedes-Benz, Saab and BMW, in 12th, 13th and 14th places respectively.

This year's study was based on 38,000 owners of K-plate cars first registered between August 1992 and July 1993. Over 10,000 viewers and readers of BBC 2 TV's "Top Gear" programme and magazine, also contributed to the overall findings.

Fat lady sings for opera house chief

By Antony Thomson

Mr Jeremy Isaacs, general director of the Royal Opera House since 1988, is to leave Covent Garden when his contract expires in 1997.

He is returning to television to direct a 20-part series, *The Cold War*, for Turner Original Productions, the US television company run by Mr Ted Turner. Mr Isaacs made his reputation at Granada Television with the series *The World at War*. Before moving to Covent Garden he was chief executive of Channel Four.

The decision is not a surprise. If all goes according to plan the Covent Garden operations will close down in 1997 for two years to allow for

renovation. Mr Isaacs has submitted a bid to the Arts Council for National Lottery funding of £58.5m towards the planned £195m cost of the redevelopment.

It was thought likely that Covent Garden would want a new team to lead the opera and ballet companies through the transition period - part of which is likely to be spent at Sadler's Wells - and into a modernised Covent Garden for the re-opening which is planned for December 31 1999.

There were some controversy during his tenure. In 1992 he was reported to have fallen out of favour with Mr David Mellor, the arts minister at that time, and with the Arts Council. A report commis-

UK NEWS DIGEST

Canadian group 'ready to bid' for Channel 5

CanWest global communications, a Canadian broadcasting group, with interests in New Zealand, Australia and Chile, says it will definitely bid for the UK's Channel 5 licence in spite of setbacks in attracting UK partners.

United Newspapers, the exhibition and business magazine group which publishes the Daily Express, is the latest to have talks with CanWest and then decide not to join its consortium. UK TV, Mr David Asper of UK TV said yesterday: "We will bid. United has already been replaced." CanWest's apparent determination to submit a bid by the May 2 deadline means that there will almost certainly be five serious bids for the right to run the UK's fifth national television channel, which likely to be able to reach about 70 per cent of the UK population.

CanWest, with interests in New Zealand, Australia and Chile, is believed to have had talks with Associated Newspapers, publishers of the Daily Mail, and Philips the multinational consumer electronics group. Both have now joined a rival consortium put together by Mr Richard Branson's Virgin Group. Raymond Snoddy

More company ethics codes

An increasing number of Britain's top companies have a written code of ethics - but the risks of poor business conduct are still growing. A survey published today shows that 70 per cent of the top 500 companies have their own codes and most chief executives think they help maintain standards.

But the Institute of Internal Auditors, which commissioned the survey, warned that the risks of falling standards are growing because there is greater use of contract staff; the career structure of many employees has disappeared and there is a disproportionate gap between executive and shop-floor remuneration.

The survey also showed that there was a lack of confidence in the monitoring of codes of conduct - 41 per cent of chief executives said they did an effective job but only 10 per cent thought regulators were effective. Jim Kelly

Sharp cuts in gas prices

British Gas has announced sharp cuts in the price of gas supplied under interruptible contracts to large industrial and commercial customers.

Business Gas, the division which handles sales to the commercial sector, said price reductions ranging from 16 to 22 per cent take effect from today.

Customers on interruptible contracts agree to have their supplies cut off during periods of peak demand in exchange for particularly low prices. Until recently there had been little competition in the interruptible market because of the low margins involved. But a sharp fall in wholesale gas prices has caused many of British Gas's competitors to enter the market.

The latest British Gas price cut is the second in two weeks in this market. Robert Corzine

Ulster loyalist weapons seized

Nearly 40 loyalist paramilitary weapons were seized yesterday at a house near Belfast, Northern Ireland in a major police surveillance operation which involved trailing one man from his home on the British mainland. Three people were arrested. Police confirmed that up to 40 rifles, revolvers, and machine-guns, some home-made, others dating back to World War One, and a few smuggled from England where they had been deactivated, were discovered under floorboards and in the attic. It is the largest arms discovery since the start of the IRA ceasefire last August. Charges are expected soon.

It is understood the weapons may have been stockpiled by the outlawed Ulster Volunteer Force (UVF) and although security chiefs do not believe Protestant paramilitaries were preparing to end their ceasefire with new terrorist offensive, this find is certain to embarrass the British government as it moves into talks with loyalist representatives. PA News

Shorts to sell Belfast airport

Short Brothers, the Belfast-based subsidiary of Bombardier of Canada, is to sell Belfast City Airport to Sarcom Diamond, a Northern Ireland-based company, for £24m.

Shorts, which opened the airport in 1983, said it required substantial investment and was not one of its core activities. The airport, which is three miles from the city hall, handles 1.2m passengers a year. Michael Skapinker

Imro sanctions four members

Imro, the self-regulatory organisation for the fund management industry, has fined three London-based members a total of £95,000, with £48,000 costs, and terminated the membership of a fourth.

BH Matheson Investment Management was fined £80,000 with costs of £32,000. Imro reported four failures related to client money accounts including not banking a client's cheque for £5,482 until four weeks after receipt. Columbus Asset Management was fined £5,000 with costs of £3,000. It allowed the account of one client to become "significantly overdrawn" and had not deposited its own money to remedy the situation. There was no loss to the client.

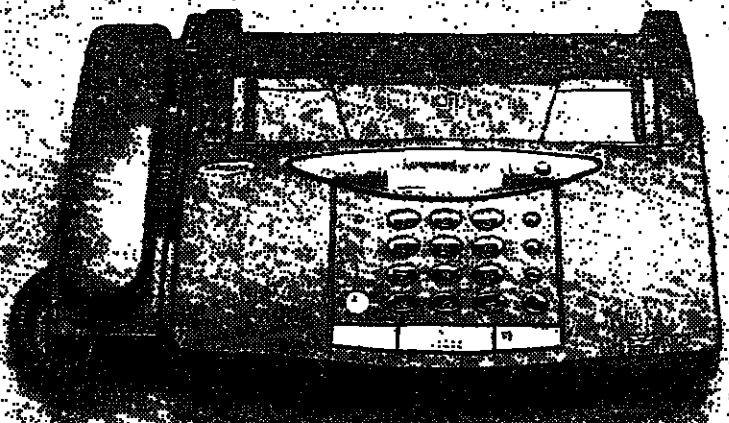
Century Unit Trusts was fined £30,000 with costs of £13,000 for breaches of Imro rules involving compliance and client money regulations. It had compensated investors for losses of £8,400. Alpine Eagle Investments has had its membership terminated. It admitted failing to disclose the existence of a customer account held in the name of a person related to Alpine Eagle. Jim Kelly

'Dogs' cleared for video

Quentin Tarantino's controversial film *Reservoir Dogs* is finally to be released on video in the UK. The violent story of a gang of armed robbers has been granted an 18 certificate by the British Board of Film Classification, ending a two-year ban on a video release. An uncensored version of the cult movie will be released for rental on June 14.

The BBFC's move follows its decision to grant an 18 cinema certificate to Oliver Stone's *Natural Born Killers*, the bloody tale of a couple's murderous rampage across the US. PA News

LICKS STAMPS.

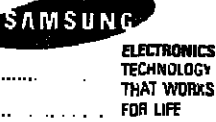


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Alco bids £81m for Southern

The battle for control of Southern Business Group appeared to be over on Thursday when Alco Standard Corporation, the US paper distributor and office equipment group, announced a recommended cash bid for the photocopier supplier, writes James Whittington.

Alco's offer values Southern at £81.1m on the basis of 84p for each of the target's shares.

Berkeley Business Group, which opened the bidding on February 23, let its cash-and-paper offer worth 69p per Southern share lapse after Alco's offer.

Danka Business Systems, Alco's US rival, joined the bidding with a 70p per

share cash offer on March 24. It too said on Thursday it would bow out of the race.

Southern's share price closed up 8p at 86p following Alco's bid, which received irrevocable undertakings from shareholders controlling 22.1 per cent of the equity. Among the acceptors are Southern's management, which has an 8.3 per cent stake, and the George Stewart Trust and George Stewart Children's Trust, which together hold 13.9 per cent. The offer includes an option for Alco to buy these shares at 84p even if the deal falls through.

Berkeley's share price jumped 7p to 56p. One analyst said there was relief that it

was not trying to increase its offer. Danka's shares closed down 11p at 40p.

Mr Ian Crabb, managing director of Alco Office Products (UK), said the acquisition of Southern would "consolidate our position as the largest independent copier distributor in the UK".

Southern's business of leasing and servicing photocopiers was hit last year in the wake of an Office of Fair Trading report on the sector. Pre-tax profits for the year were down 41 per cent at £7.2m (£12.2m) leading to pressure to sell the company from institutional investors who were keen to withdraw.

Shock and admiration at killer blow

James Whittington on the denouement of a three-way bid battle

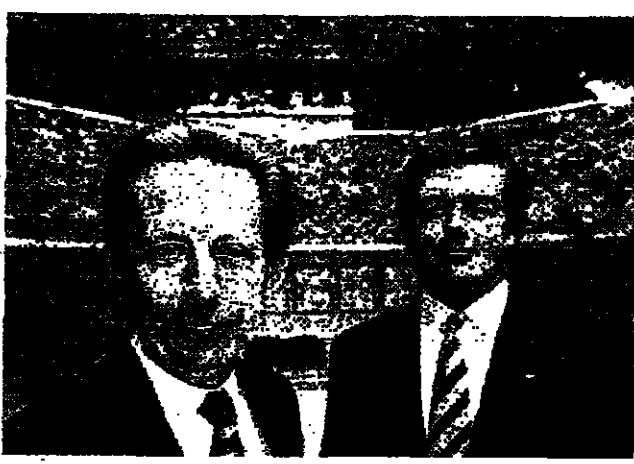
Alco Standard Corporation's offer for Southern Business Group has left its rival bidders, Berkeley Business Group and Danka Business Systems, in a confused state of both shock and admiration.

At 84p per share the offer values Southern at £81.1m, a 20 per cent premium to the 70p cash offer made by Danka and 21 per cent above Berkeley's cash-and-paper version.

Analysts described the bid as a "killer blow" and its effect was dramatic: both Berkeley and Danka quickly acknowledged they had been outbid.

Lehman Brothers, Alco's financial advisers, said the price represented a full and fair value for the group and was arrived at after closely studying Southern's books. But according to one of those present at UBS's Broadgate headquarters in London on Wednesday night, it was agreed after protracted haggling into the early hours of the morning.

Mr Martin St Quinton, Danka's head of European operations, said he was "stunned" at the fullness of the price. But he admired the negotiating skills of Southern's management which had turned



Protracted haggling: David McErlain (left) with Ian Crabb

the three-way bid to their advantage. "I take my hat off to David McErlain," Southern's chief executive.

Mr McErlain will make £2.45m from selling his stake in the company and is to take a six-month sabbatical with a view to returning to Southern.

Four other directors will be bought out for a total of £2.6m. Mr Peter Dumley, deputy chief executive at Berkeley, which had hoped to raise its offer next week, said it "would

not have made commercial sense to try to outbid Alco".

The other source of surprise was Alco's announcement that it hoped Southern's management would stay on and run the business. Both Berkeley and Danka had said they would integrate Southern into their other UK operations and replace senior directors if their bids were successful.

Mr Rip Tilden, vice-president of Alco's corporate affairs, explained from the group's

headquarters in Pennsylvania that the concept of keeping the management of a newly acquired business was fundamental to Alco's philosophy.

"We've built the group by acquiring companies in which the management have stayed on. Southern is no different. We will help them improve the business and we don't want to replace their expertise and knowledge of the customers."

Assuming the takeover goes ahead, Southern will operate as a wholly owned subsidiary of the holding company, Alco UK, alongside the group's other photocopying distributors - Erskine, Aztec and Britannia Office Equipment - all acquired since 1993.

Alco UK will be the biggest independent distributor of photocopiers in the UK with a market share of about 9 per cent and annual sales of £120m.

Its parent is North America's largest distributor of paper and largest independent distributor of photocopiers, with an annual turnover of about \$80m (£50m) and profits before tax last year of \$274m.

"Southern couldn't have hoped for a better deal," admitted one of the failed bidders.

Reorganisation of aerospace division after £3.2m shortfall

Hunting to sell lossmaking offshoots

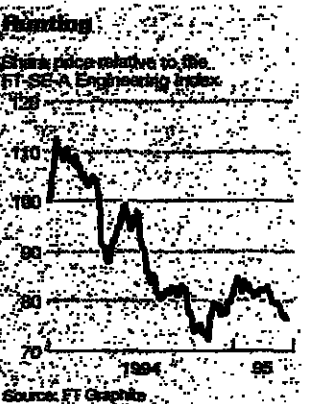
By Tim Burt

Hunting, the aviation, defence and oil group, has drawn up plans for a reorganisation of its aerospace division and the disposal of lossmaking subsidiaries.

The company has decided to concentrate on core businesses such as cargo services and aircraft interiors, where there are signs of increased demand following a prolonged recession in the industry.

Although it declined to specify which subsidiaries were on the market, it said the sale process would be completed by the end of next year.

Difficult trading conditions last year led to sharply reduced profits from the aviation side, which fell from \$2m to \$1.2m. The decline was exacerbated by the grounding of two of the company's cargo aircraft, which required extensive structural work.



Turnover in the division, however, rose from £158m to £169m and Mr Ken Miller, chief executive, predicted it would rebound this year thanks partly to new British Aerospace orders for aircraft interiors.

Announcing a 10 per cent fall in group pre-tax profits to

£28.5m (£31.7m), he said: "These figures represent the nadir and we believe we have now turned the corner."

Profits were also hampered by a \$1.5m negative exchange effect on the company's North American activities, where its Canadian oil division saw profit fall slightly from £17.8m to £16.4m.

Its sluggish performance was partly offset by the defence division, where the first full year of Hunting's management contract for the Atomic Weapons Establishment contributed \$5.1m (£3.5m) to increased profits of £15m (£14.6m).

It helped lift pre-exceptional operating profits from £28.1m to £38.2m on sales of £1.13bn (£1.05bn) in the year to December 31.

Although earnings per share fell from 13.6p to 10.7p, the company said improving prospects justified a recommended final dividend of 6p,

maintaining the total at 10p for the fifth successive year.

COMMENT

Hunting has hit a deep air pocket but should regain altitude as restructuring and fresh orders revive the aerospace side. It has already cut costs and shed 13 per cent of the aviation workforce, so margins should improve. The challenge this year, when profits are expected to reach about £31m, is to maximise defence sales, dispose of surplus property and rebuild dividend cover. That may be a tall order for 1995 but should be achievable next year. Given that the company seems determined to maintain dividends, the shares - down 24p at 187p on Thursday - remain good value despite the premium multiple of 14.3, as the yield is 70 per cent ahead of the market average.

Restructuring costs put Laura Ashley in the red

By Motoko Rich

Restructuring costs of £34m hit annual profits at Laura Ashley, the clothing and furnishings group which announced a sweeping reorganisation in February.

The pre-tax loss of £30.6m for the year to January 23 compared with profits of £2m previously.

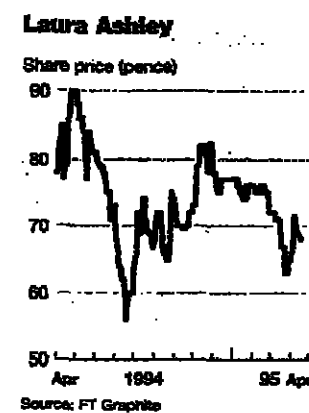
Excluding the charges, and after a £1.5m contribution from associate businesses and interest paid of £1.8m, profits rose from £2m to £3.8m.

The company passed even a nominal dividend. It has not paid a full dividend since 1989.

Mr Hugh Blakeway Webb, executive chairman, said: "Restructuring is going to be uncomfortable and painful, but it is the action we need to deliver to our shareholders, who expect it from our name."

Some 40 shops - including 30 in North America - had been identified as unprofitable and would be closed. In addition the loss-making Australian operation would be sold or closed.

Mr Blakeway Webb said that by 1996, about 200 managerial



and administrative employees would have been made redundant.

The group also plans to rationalise products, eliminating non-core items such as food, stationery and garden furniture from its shop portfolios.

Once the restructuring was completed - within 18 months to two years - the group would concentrate on its core products: fabric, wallpaper, curtains, upholstered furnishings, dresses and blouses.

Mr Blakeway Webb said the

restructuring was a priority over selecting a chief executive to replace Mr Jim Maxmin, who resigned last year.

Group sales rose 7.4 per cent to £322.5m (£300.4m). The cost of reducing stocks and rising raw materials prices held gross profits to £15.2m.

Operating profits rose to £4.1m (£2.3m), yielding margins of 1.3 per cent - described as "unacceptably low". Mr Blakeway Webb said he expected a brand like Laura Ashley to produce margins of about 8 per cent.

Continental Europe experienced the fastest growth in gross profits, at 12 per cent. The slowest growth was in the UK, up 2 per cent. However, on a like-for-like basis, sales increased most in the UK, up 8 per cent. In North America, gross profit rose by 5 per cent on like-for-like sales up 1 per cent.

Overall garment sales on a like-for-like basis rose 2 per cent, while home furnishings sales were up by 8 per cent.

Losses per share of 13.41p compared with earnings of 0.45p.

See Lex

Granada acquires Pavilion

By Tim Burt

Granada Group, the television and leisure company, is set to become Britain's largest operator of roadside service areas following its £125m takeover of Pavilion Services, the privately owned motorway service operator.

Mr Charles Allen, chairman of the leisure division, said Pavilion would enhance profit contributions from its existing 27 motorway and trunk road sites, which climbed 33 per cent to £33m last year.

"Pavilion offers an immediate, logical expansion of the existing operation and is a good geographical fit with Granada's business," he said.

Granada is paying £76.3m cash for Pavilion, which operates nine motorway service centres, and is assuming debt of £48.7m.

Analysts welcomed the deal as earnings enhancing from the outset. Pavilion made pre-tax profits of £4.5m last year, against losses of £16m in 1993, on increased sales of £122.3m (£118.2m).

"Granada has pulled this off at a competitive price compared with the cost of developing new sites," said one.

Candover and CINven, Pavilion's venture capital backers, are understood to have opted for a trade sale after abandoning plans for a stock market flotation last year.

In 1994, the Pavilion management is expected to continue running the group as an independent operation.

Brown & Tawse poised for purchase

By Patrick Harverson

Brown & Tawse, the loss-making steel and pipes distributor, is close to concluding an acquisition that would "significantly enhance the prospects of the group" and allow it to resume dividend payments.

Mr Ian Harding, finance director, said the target operated in a related business, but not necessarily the same market. The company would not reveal any further details about the planned purchase.

The deal is expected to be announced before the end of May.

Analysts said Brown & Tawse was most likely preparing to buy a division of a publicly quoted company. One possibility was a unit of Wills Group, the distributor and manufacturer of fluid handling parts. Last month, Roxup, the specialist engineering group, bought Wills for £24m and is believed to be considering selling parts of the business.

Although Brown & Tawse has reduced bank borrowings as part of a recovery plan - pre-tax losses of £36m in 1993-94 were cut to £2.6m in 1994-95 - gearing remains high at 83 per cent.

Profits warning lops 80p off JO Walker shares

By Patrick Harverson

Shares in JO Walker closed 80p down at 42p on Thursday after the Leicester-based timber importer warned that its 1994 results would be "significantly below expectations" because of accounting errors and restructuring costs.

Mr John Scott, company secretary, said there had been incorrect estimation of stock levels by the previous management. That management stepped down in December when Mr Adam Page took over as chairman after acquiring the shareholding of Mr David Walker, his predecessor.

Mr Scott said that the miscounting of stocks was the result of error and poor communication within the company, and was not due to deliberate misrepresentation.

He said the company decided to warn shareholders about the accounting errors and reorganisation costs - which are related to the recently announced transfer of operations from Wisbech to Leicester - because it did not want to surprise the stock market when the results were released on May 5.

The company said that sales in the first three months were 8.5 per cent higher than at the same stage of 1994, and that excess stocks were being reduced and fixed costs cut.

For 1993 JO Walker reported pre-tax profits of £61,634 (£402,033 losses).

Debt-burdened Aer Lingus seeks alliance

By John McManus in Dublin

Aer Lingus hopes to form a strategic alliance with either British Airways, TWA or Delta, according to Mr Garry McGann, chief executive of the state-owned Irish airline which this week announced a loss of £130m for the 21 months to December 31.

There has been a marked turnaround at the core air transport division, but costs of servicing debt and continuing problems at TEAM Aer Lingus, the maintenance subsidiary, threaten the recovery.

Air transport made a profit of £141m in the period, against losses of £238m in the 12 months to March 1993, when the group incurred a loss of £191m.

£161m interest bill on the group's debt of £239.5m and losses of £28m at TEAM Aer Lingus. In addition, there were one-off charges of more than £130m to cover ongoing restructuring.

The company is hoping to get another £250m this year in aid from the Irish government, which will be used to pay down debt, provided the EU gives approval. It also hopes to raise about £250m through the sale of its Cophorne hotels chain.

Despite the losses, Aer Lingus made an operating profit of £10.4m in the period. Turnover was £1.48bn, against £1.17bn in the 12 months to March 1993, when the group incurred a loss of £191m.

NatWest Bancorp drops

By John Gapper, Banking Editor

Post-tax profits at NatWest Bancorp, the US retail banking subsidiary of National Westminster Bank, dropped in the first quarter of 1995 as it started paying US federal taxes for the first time in four years.

The fall, from \$62.6m to \$55.6m (\$54.6m), came despite a 47 per cent rise in pre-tax profits from \$59.8m to \$102.4m. It paid \$38.7m in tax, against a nil charge in the first quarter of last year.

Normal tax resumed after the bank used up accumulated tax credits of \$10m from operating losses in 1990 and 1991. Return on tangible equity - excluding goodwill amortisation - dropped from 17.7 per cent to 15.7 per cent.

The ratio of cost to income dropped from 65.6 per cent to 59.4 per cent as a result of growing revenues and economies of scale. Mr John Tugwell, chairman, said the ratio was likely to drop to about 58 per cent in the second quarter.

Mr Tugwell said NatWest Bancorp was now about the right size, with assets of \$31m.

Cookson Matthey purchase

By Geoff Dyer

Cookson Matthey Ceramics, the joint venture between Cookson, the industrial materials company, and Johnson Matthey, the precious metals group, has announced its first acquisitions since its formation last July.

CMC, in which the two parents have equal holdings, paid \$21m (£13.2m) for a group of companies in Italy and Spain which make materials used in glazes for the tile and table-

ware industries. The deal included buying out the stakes in three companies held by Zirid, a Swiss group.

CMC has also acquired an option to buy two Brazilian companies, which supply colours to the tile industry, for \$15m. The deals will be financed from borrowing facilities.

CMC, which has annual sales of about £300m, was formed from Johnson Matthey's colour and print division and Cookson's ceramic supplies and minerals division.

PAY PACKAGES

33% rise for GKN chairman

By Tim Burt

Sir David Lees, chairman of GKN, saw his total pay and benefits increase by 33 per cent to £441,000 last year after profits at the motor components, industrial services and defence group more than doubled to £200.5m.

Although his basic salary rose by a more modest 7.3 per cent, from £303,000 to £323,000, Sir David's package was boosted by a sharply increased performance related bonus of £116,000 (£29,000).

The annual report also shows that he made a profit of about £290,000 on share options granted at £19.5p and a further £75,700 on shares granted at 349.3p. Both were exercised at 639p. He has a notional gain of £565,000 on other share options.

His pension contributions, meanwhile, were increased from £107,000 to £124,000.

Cadbury chief executive paid £915,000

Mr David Wellings, chief executive of Cadbury Schweppes, the food and drinks group, received total remuneration - including pension contribution - of £915,000 in 1994, according to the annual report, writes Richard Lapper.

Mr Wellings was paid £573,000, including a bonus of £232,000. His pension contribution amounted to £242,000. Mr Dominic Cadbury, chairman, received £761,000, including a pension contribution of £234,000.

On November 2 the company granted 620,000 share options to seven of its directors, including 110,000 each to Mr Wellings and Mr Cadbury. The options have an exercise price of 439p against a closing price of 439p on Thursday.

Overall wage and pension costs increased from £646.5m to £681.9m in 1994.

Pearson raises directors pay by 3% to £2.5m

Pearson, the media, information and entertainment group which owns the Financial Times, increased emoluments to directors by 3.3 per cent in 1994 - from £2.39m to £2.47m - according to the annual report. Base salaries for directors rose by 7.1 per cent, writes Jim Kelly.

Lord Blakenham, the chairman, received £454,000, against a 1993 total of £408,000. The report noted that Lord Blakenham had not received a salary increase for 24 months.

The highest paid director in 1994 was Mr David Veit, deputy managing director, at £510,000. This included a bonus of £140,000 and a salary of £280,000.

The report notes that Mr Veit did not receive a salary increase in 1994, but was allowed to retain his fees as a non-executive chairman of Camco.

Healthy options for Fisons' chief

Mr Stuart Wallis, chief executive of Fisons, the drugs company undergoing radical restructuring, is sitting on a paper profit of more than £400,000 after six months in the job, according to figures contained in the annual report, writes Daniel Green.

Mr Wallis was awarded 888,000 share options in October 1994 at an exercise price of 126p. Fisons' share price at the close of business on Thursday was 179p.

The share price rise has been fuelled in part by Mr Wallis's restructuring of the company, including two £202m disposals this year.

Mr Wallis, 49, took over as chief executive in September 1994. He is on a rolling two-year contract at a salary of £280,000 a year.

The highest paid director was Mr Maurice Cocco, managing director of the group's US laboratory supplies division. He received £406,354, plus £29,252 in pension contributions.

Abandoned dates mar Chepstow

Largely as a result of five abandoned meetings, pre-tax profits of Chepstow Racecourse fell by 31 per cent, from £288,317 to £268,890, in 1994, writes Gary Evans.

The outcome was also affected by the absence of a special dividend received (£141,007 in 1993) from Satellite Information Services. This was mitigated by an increase in other operating income and lower interest charges.

The rise in other operating income sprang from the election in 1994 to waive the entitlement to prize money grants - in addition to fixture fee grants - in favour of a transfer to capital credits to effectively offset loan repayments due to the Horserace Betting Levy Board.

Chepstow said the take-up of private boxes had been very satisfactory and turnover in the new tote betting shop had continued to rise.

Overall turnover was down at £1.82m (£1.95m). Earnings per share came to 49.1p (42.9p) and the recommended single final dividend is unchanged at 5p although last time there was also a special distribution of 5p.

Jurys Hotel

Jurys Hotel Group has received approval to build a 234-room hotel at Custom House Quay in Dublin's International Finance Services Centre, writes Graham Deller. The hotel, expected to cost

£111m, is scheduled to open in the summer of 1996. It will create up to 100 new jobs.

Mr Peter Malone, managing director, said: "We will be seeking a mix of business for the hotel to ensure that it is busy seven days a week." He anticipated both international and domestic tourist and leisure traffic as well as commercial business.

Cradley tops £1m

Benefits of investment in new equipment and improved margins resulted in pre-tax profits nearly doubled at Cradley Group, the lithographic printer, in the six months to December 31.

Sales were static at £11.8m (£12m), but the company said that increased efficiency and a modest improvement in the market helped margins rise from 5.5 per cent to 9.4 per cent. Pre-tax profits jumped from £598,000 to £1.12m.

Mr Donald Jordan, non-executive chairman, warned that the company was not expecting the same level of growth in the second half.

Earnings per share came to 2.5p (1.2p).

Torday & Carlisle

Increased pre-tax losses of £332,000 were announced by Torday & Carlisle, the Newcastle-based engineer, for the year to December 31, against £282,000 in 1993.

There were exceptional costs of £270,000 in respect of the leasehold property at Wembley, and £170,000 for redundancy and other rationalisation costs. Partly offsetting this was a £200,000 exceptional credit from the sale of a long leasehold office in Hong Kong.

Rationalisation at DMI, the largest subsidiary, allowed the group to benefit from improvements in the international marine market.

DMI reversed its recent trend of declining profits, with operating profits advancing by 73 per cent to £283,000.

Group turnover slipped to £28.9m (£32.7m). Losses per share came through at 5.2p (0.2p earnings).

BBEA closure

British Building & Engineering Appliances, which was demerged from the BM construction equipment group in 1992, has closed Kass Construction, its loss-making contracting subsidiary.

Mr David Hewlett, managing director, said the contracting business had been undermined by too many companies competing for too little work.

The group had decided, reluctantly, to close Kass to concentrate on the core construction products businesses which remained profitable.

Wellman

Wellman, the specialist engineering group, has agreed with FKI that the consideration for the three businesses acquired from FKI last July should be £40m.

The original £48m has been adjusted relating to net asset value on completion. Consequently the loan stock issued in relation to the deal has been cancelled.

INTERNATIONAL COMPANIES AND FINANCE

Heavy appraisal losses at Japan's big four brokers

By Gerard Baker in Tokyo

Japan's four leading brokerage houses reported heavy appraisal losses yesterday on their securities holdings as of March 31. Between them the Big Four lost more than ¥80bn (\$625m) in revaluations in the financial year just ended. Other, smaller brokers also had big losses.

Nomura, the largest broker, said its losses were ¥23.0bn. Daiwa reported its second largest loss at ¥23.1bn. Nikko and Yamachi posted losses of ¥17.1bn and ¥16.8bn respectively.

The companies attributed the setbacks to the sharp decline in share prices in the past few months. Japanese and overseas investors have been heavy sellers of equities on the Tokyo stock market since the start of the year.

The need of Japanese companies to realise the value of their equity holdings has been compounded by external shocks to the market. The Kobe earthquake, the fall-out from the Barings collapse, and the high yen battered share prices.

At the end of March the Nikkei 225 stock index stood at its lowest financial year-end level since 1986, 14 per cent lower than a year earlier. The combined effect was felt particularly strongly by the brokers who hold large volumes of

other companies' stocks.

All of the Big Four said the losses would not alter their overall profit/loss estimate for the financial year. Last month, the brokers said they all expected to record consolidated pre-tax losses but Nomura was likely to report a small non-consolidated pre-tax profit. The companies will announce their results next month.

While share prices have been falling, share trading volumes, the principal source of revenue for most brokers, have been stagnant. In the first quarter of this year, average daily trading volumes on the Tokyo exchange have been less than 300m shares, less than a third of the figure in the late 1990s.

Among the medium-sized brokers, New Japan Securities reported losses of ¥7.5bn, Wako Securities ¥4.5bn and Ohsaka Securities ¥3.3bn.

Although most Japanese brokers have struggled to record any profits since the stock market began its protracted slump five years ago, they are in little immediate danger of collapse since they are among the best-capitalised brokers in the world and can afford to continue losing money for several years.

However, analysts said the continuing weakness in the stock market would put pressure on some to restructure to limit losses as their capital diminishes.

Continental Air looks at debenture package

By Richard Tomkins in New York

Continental Airlines, the fifth biggest US carrier, is negotiating with lenders to give them debentures convertible into 20 per cent of its equity in return for relief from lease payments due on some of its aircraft.

It said it had saved \$370m in cashflow over the next two years by deferring virtually all deliveries of new Boeing aircraft during that period, deferring nearly all repayments of principal to its main lender for two years, and winning a reduction in its financial obligations to the new Denver International Airport.

The moves further emphasise the airline's financial difficulties following its failed attempt to emulate the success of smaller, low-cost US airlines with its network of shuttle services operating under the name Continental Lite.

Continental has already heavily cut the Lite network, and plans to abolish the Lite name by July. The airline said first-class seats were being returned to one-class Lite routes and in-flight meals would replace the customary bag of peanuts on some services.

The company said its consolidated cash balance rose by \$20m to \$420m between December 31 and March 31, and completed this with last year's first quarter during which its cash balance deteriorated by about \$100m.

It said a big component of its previously announced Go Forward Plan was to improve liquidity by renegotiating arrangements with suppliers, creditors and lessors.

Among other things, it was negotiating with its lessors to accept debentures convertible into its class B stock at \$6 a share instead of the lease payments due on 34 wide-bodied aircraft.

Continental said it expected to report a loss for this year's first quarter, but it would be smaller than analysts had been predicting.

Final figures for last year's fourth quarter showed net losses up from \$26.5m to \$53.4m after a pre-tax charge of \$446.8m for shrinking its operations.

For the full year it had net losses of \$613.3.

Sales growth continues at Microsoft

By Louis Kehoe in San Francisco

Microsoft has again defied its own predictions of slowing sales growth. The US group recorded a 28 per cent increase in revenues for the third fiscal quarter, increasing its domination of the world market for personal computer software.

Revenues for the quarter ended March 31 were \$1.59bn, up from \$1.24bn last year. Net income for the quarter was \$396m, or 63 cents a share, well above Wall Street expectations of around 59 cents.

In the comparable quarter last year, Microsoft took a \$120m charge for patent infringement damages to Stac Electronics. Excluding this charge, net income was \$338m or 55 cents a share.

Sales of Microsoft's Windows PC operating system reached 3m copies a month during, up from about 2.5m a month in the previous quarter.

Microsoft is benefiting from the rapid growth of PC use in Japanese businesses. Japanese sales of Microsoft Office, a suite of office application programs, and Windows NT, a version of Windows for use on network servers, were "outstanding", it said.

For the fiscal year to date, revenues were \$4.3bn, up from \$3.6bn, while net income was \$1.1bn, or \$1.74, against \$784m or \$1.29 after the charge.

USAir auditors cast doubt on its survival

By Tony Jackson in New York and Bernard Gray in London

The auditors to USAir, the struggling airline in which British Airways has a 24.6 per cent stake, have questioned whether it can survive if it fails to win labour concessions. KPMG Peat Marwick said there was "substantial doubt" about USAir's ability to continue as a going concern.

The auditors' assessment, in the company's regular quarterly 10-K filing with the Securities and Exchange Commission, relates to the company's

condition at the end of 1994. Since then, some progress has been made towards an agreement with USAir's unions, though a deal has yet to be finalised.

At the end of last month, USAir struck a tentative deal with its pilots, much the most expensive part of its workforce, by which the pilots are thought to have accepted a pay cut of 20 per cent in exchange for seats on the board and profit-sharing.

The deal is conditional on the other unions accepting similar terms. It is subject to

the agreement of shareholders such as British Airways, which is thought to object in principle to union representation on the board.

As well as citing the cost reductions necessary if the company was to continue, the auditors noted the company's recurring losses from operations and its "net capital deficiency".

USAir said yesterday: "The issue from our perspective is that the rules of accounting don't leave room for the grey area in which we find ourselves."

USAir said it had cash balances at the end of the first quarter of \$400m. Some of that was due to flow out shortly.

However, it expected to end this year with slightly more than \$400m in cash, barring unforeseen circumstances.

"That's why we disagree with the going concern language," it said. "We feel there's quite adequate liquidity."

British Airways, which paid \$300m for its stake in USAir, said that it saw no reason to write down its investment in the company unless the USAir board recommended that there

had been a permanent reduction in the value of the company.

British Airways said it agreed with USAir's assessment that KPMG had been "ultra cautious", and that it did not agree with the auditor's view.

However, British Airways acknowledged that its relationship with USAir may be renegotiated as a result of the changes going on at the airline.

The proposed profit-sharing arrangement and union board representation would change the structure of the company.

Bull's mission impossible takes it overseas

US and Asian groups are investing in the French computer company, writes John Ridding

Mr Jean-Marie Descarpentries, chairman of Groupe Bull, says his mission impossible has taken a big step towards mission accomplished.

When he was appointed to head the loss-making computer concern 18 months ago, his orders to steer it towards the private sector appeared a daunting task. It had, after all, lost more than FF15bn (\$3.07bn) in the previous three years.

However, on Thursday, the former paratrooper was able to reflect on a vital move towards the objective. Mr Edmond Alphandery, the economy minister, and Mr José Rossi, the industry minister, announced a halving in the state's 80 per cent stake in the group and a series of investments by industry partners.

Significantly, given the shift in global computing power, the investors come from Asia and the US.

In particular, NEC of Japan is to raise its stake from 4 per cent to 17 per cent, while Motorola of the US will take 10 per cent with an option to rise to 17 per cent by mid-1997. IPC of Singapore is to take a 4 per cent stake, while Dai Nippon Printing of Japan will buy 3 per cent of the French group.

The combined investments were based on a valuation of Groupe Bull of just FF1.5bn, a reflection of the depths to which its stock had fallen and a fraction of the FF11bn of capital injected since 1983.

This was one consideration behind the push for partners.

Against this was the need to balance the political sensitivities associated with the national computer company and France's erstwhile high-technology flagship.

With France Télécom retaining a 17 per cent stake, the company remains in public hands. But NEC and Motorola will have a role in management through a strategic committee, the functions of which are being negotiated.

"The agreement reflects Bull's failure to have stood alone," said one industry observer in Paris. "Partnerships are the only way for Bull, as for the industry. But they leave a lot of questions." Chief among them are how and when privatisation will be completed, whether the triumph of powerful shareholders can co-operate and, most importantly, whether Bull's future is now secure.

For Mr Descarpentries and his state shareholders, the agreements represent a temporary staging post before the final push to the private sector. According to the Bull chief, the state's stake is likely to be reduced to a minority in the early 1990s, either through the exercise of Motorola's option or through the sale of shares to financial partners. "We will be an attractive investment," he says.

A third and final step, says Mr Descarpentries, is likely to be completed by the end of 1997. By then, the French government will reduce its holding to a small stake, perhaps around 10 per cent, with its



Jean-Marie Descarpentries: "We will be an attractive investment"

place on the share register taken by new industry partners and, possibly, a public offer.

Such steps will depend partly on Bull's performance and how the alliances evolve. "It is hard enough to operate a joint venture," says an executive at one computer group. "This is a much trickier proposition."

Mr Descarpentries is optimistic. "We know these partners and have been co-operating for a long time," he says, pointing to collaboration with NEC on mainframe computers and an alliance which dates since 1984.

With Motorola, the French group last year signed an agreement to collaborate on PowerPC systems, computers using a microprocessor jointly developed by IBM, Motorola and Apple.

The strategy outlined by Mr Descarpentries involves the pursuit of specific projects with its partners. With NEC, for example, it is due to launch a new generation of mainframes, dubbed Jupiter, next year. However, the broader aim of the alliance is to promote co-operation in emerging business

areas, such as information superhighways.

"Our fields are converging, there is a lot of scope for development," argues the Bull chief. NEC is of a similar mind. Yesterday, the Japanese group said it planned to use its alliance with Bull to establish a foothold in the European multimedia sector.

As for the strategic committee, Mr Descarpentries is sanguine. NEC and Motorola, he says, he given an influential role. But he does not see a divergence of interests, nor a threat to his plans for Bull group.

He envisages it will meet three or four times a year, although he accepts that with 51 per cent of the shares the core shareholders will hold ultimate control.

How such control is wielded will depend on Bull's performance. On this score, Mr Descarpentries is optimistic. A restructuring plan which has cut costs and reorganised management should enable a net profit in 1996.

Equally significant is the transformation of the balance sheet. The FF11bn to be injected by its new partners will reduce net debts to about FF1.5bn, compared with FF16bn when Mr Descarpentries arrived.

For the Bull chief, the stage is set for continued recovery and a possible return to acquisitions from 1996. It is set for the final jump to the private sector, away from the inefficiencies of the public sector - and away from protection.

Sharp fall in first-term earnings at Chrysler

By Richard Waters in Detroit

Chrysler reported a sharp fall in earnings in the first three months of the year compared with a record period the year before, though it blamed one-off factors for much of the decline.

Mr Robert Eaton, chairman and chief executive of the US motor manufacturer, said that the results "reflected an overall slowing in domestic economic activity" in the US. He added that "all things considered, it was a strong performance".

Chrysler's after-tax earnings for the three months fell to

\$592m on revenues of \$13.6bn, compared with earnings of \$838m on revenues of \$13.2bn the year before. Fully-diluted earnings per share fell to \$1.48 from \$2.30.

The company's performance was hampered by a model changeover of its popular minivan, which accounts for more than a third of the company's vehicles.

This caused some lost production, and led the company to pay higher incentives to shed the last of its old minivans before the new model is officially launched at the end of next month.

Also, Chrysler had been

forced to raise incentives on other models to attract buyers as consumer demand began to slow, Mr Eaton said.

Mr Jim Donlon, Chrysler's financial controller, said the average incentive paid on each of the company's vehicles rose to \$710 during the first quarter, from \$410 in the final three months of 1994.

"Market conditions being what they are, there is a risk that they could be even higher" for the second quarter, he added.

Chrysler last week lowered its estimate of total US car and light truck sales for the year, to 15.5m, compared with sales

last year of 15.4m. The latest results were also hurt by a \$115m charge to cover the costs of a voluntary move by the company to replace door latches on its minivans.

This followed pressure from Federal regulators after complaints that the doors could fly open in an accident, though Chrysler continues to maintain that the latches are safer than those on most comparable vehicles.

The company also blamed the earnings decline in part on a higher material costs and the devaluation of the Mexican peso, which had weakened its sales in Mexico.

The company's cash reserves slipped to \$7.3bn during the period, from more than \$7.5bn at the end of 1994, though Chrysler said it had not changed its target of maintaining cash resources of about \$7.5bn.

Among calls on the company's cash during the period were its profit-sharing scheme, which accounted for \$800m, and share repurchases, which amounted to \$385m.

Chrysler announced a \$1bn repurchase plan late last year, as well as an increase in its dividends, after pressure from Mr Kirk Kerkorian, its biggest shareholder.

Kerkorian deal may draw Agnelli back to US

The Italian industrialist could have a part to play in plan for Chrysler, says Haig Simonian

Even for a wheeler-dealer such as Mr Kirk Kerkorian, \$250m is a big number. So the plan for Tracinda, his private investment company, to invite "strategic buyers" into its project for Chrysler has triggered interest into whom they might be.

While there may be numerous candidates among financial institutions, industrialists are likely to be more muted.

The most obvious candidates are other car companies. Their ranks, however, are limited by strategic interest and financial resources.

Strategically, a stake in Chrysler would appeal only to a group wanting to break into the US market or expand an existing presence. In cash terms, the size of the deal means a company would have to lay out a considerable sum to gain any sort of influence.

Those two criteria whittle down the field. France is probably out. Germany's car makers are wealthy, but not necessarily interested. BMW and Daimler-Benz are excluded: both are committed to heavy investments in their own car plants in the US. Volkswagen's wings, meanwhile, have been clipped by its delicate finances and previous problems with US activities.

Japan's once-mighty car makers would have been obvious parties to approach but most now have US factories. In addition, the yen's strength makes it unlikely that any would take on a big commitment.

More likely would be an up-and-coming south-east Asian producer, such as Korea's Hyundai or Daewoo. Both have ambitions to become big exporters, and both are parts of very powerful industrial groups with large financial resources.

Fiat, the Italian car group which is experiencing a strong product-based recovery, might join the front line.

For virtually a year between December 1989 and November 1990, its top managers sat down with their opposite numbers at Chrysler to work out a merger. The scheme would have started more modestly, with co-operation on new vehicles, but a full-fledged marriage was always expected to be the end result.

The planned betrothal was driven by products and personalities. Mr Lee Iacocca, Chrysler's former chairman, who has now joined forces with Mr Kerkorian, is a close acquaintance of Mr Gianni Agnelli, Fiat's chairman.

Close observers of the Fiat-Chrysler talks say their origin lay to a large extent in the warm personal relations between the two men.

That friendship was reinforced by complementary corporate interests. Chrysler was experiencing its second big fall in earnings in its roller-coaster financial performance of the past 15 years.

Fiat, meanwhile, was still profitable. The two companies had strongly shared interests.



Gianni Agnelli: a close acquaintance of Lee Iacocca

Chrysler, which had sold its European operations, had become a US-orientated company, and was looking to regain markets abroad.

A merger would have created a group firmly placed in Europe and the US. Fiat's extensive South American activities meant it would have contributed an effective presence in other fast-growing car markets.

The initial plan called for Fiat to sell Chrysler's Voyager minivan, which had been successful in the US and in Europe. That would have been followed by Chrysler taking one of the platforms for Fiat's small cars as the basis for a new sub-compact model. Accelerating model co-operation thereafter would have presaged a full-scale merger.

The deal fell through

because many Chrysler senior managers were opposed. Their hostility stemmed partly from their confidence that it could pull through alone.

Fiat grew increasingly wary of Chrysler's financial problems, notably its underfunded pension scheme. There were second thoughts in Turin about the cost of the deal.

Although joining forces would have been cheaper than developing new Fiat models (the eventual strategy now bearing fruit) the merger was fraught with difficulties. Even if successful, Fiat would have had to share the rewards with its US partner. In the end, co-operation was restricted to an agreement for Chrysler to sell Fiat's new Alfa Romeo 164 saloon through its Plymouth dealer network in the US.

More recent developments His family controls a network of quoted or private investment vehicles, several of which could be used if, as some observers believe, Mr Agnelli is tempted to take a further on Chrysler.

Even suggestions that Fiat buy into Chrysler, and achieve its ambition of selling in the US, are moot. Fiat's plans are believed to involve a gradual shift towards world cars produced in Italy and abroad.

The US market could be supplied most profitably by its big South and Central American operations without buying into the US. But while Fiat may be an unlikely shareholder, the same cannot be said of Mr Agnelli.

His family controls a network of quoted or private investment vehicles, several of which could be used if, as some observers believe, Mr Agnelli is tempted to take a further on Chrysler.

If and when, the two best known, have made investments abroad. If has spearheaded transactions based on the Agnelli family's widespread international contacts, as in the case of the abortive bid for the Ferrier mineral water group.

Given Mr Agnelli's links with Mr Iacocca and the former's acknowledged respect for Mr Kerkorian's investment acumen, the Chrysler scheme could have strong appeal for the Italian, especially in view of the Agnelli's avowed interest in diversifying their investment base.

Pioneer writes down Hollywood assets

By Michio Nakamoto in Tokyo

Pioneer, the Japanese audio-visual group, is writing down investments in two US entertainment companies and so highlighting the growing strains on Japanese electronics makers which invested in Hollywood.

Pioneer said it would write down \$90m of its investment in Carolco Pictures and LIVE Entertainment, a video marketing company, in its results for the year to March 1995.

It stressed that it did not intend to sell its Carolco stake. However, it left the options open, adding that it did not believe it was essential to retain its 41 per cent stake in Carolco in order to obtain rights to the company's films.

The write-downs follow the announcement by Sony last November that it was writing off \$255m (\$3.1bn) off the value of its Hollywood film subsidiary, Sony Pictures Entertainment, and the sale last week by Matsushita of an 80 per cent stake in MCA to Canadian drinks group Seagram. Pioneer's deci-

sion comes with the clear message that it is not prepared to pump further funds into the US companies, Pioneer said.

It initially invested \$80m in Carolco in 1980 for a 10 per cent stake, with the aim of obtaining rights to the US company's films and putting them on laser discs. Pioneer obtained a 53 per cent stake in LIVE Entertainment in 1992 as a result of Carolco's investment in the marketing company.

Since then, it has pumped a further \$115m into the two companies, bringing its total investment and loans to \$175m and raising its stake in Carolco to 41 per cent.

Of the total, \$75m has been written off over the past two years in addition to the latest write-down of \$90m.

Last autumn, Pioneer brought forward royalty payments to Carolco of \$9m to pull the company out of financial difficulties.

Carolco has brought out several successful films, such as Terminator 2, but suffers from a lack of a large film library.

Lyonnais des Eaux profits improve 32%

By David Buchan in Paris

Lyonnais des Eaux, the diversified French utility group, increased net profit by 32 per cent to FF1.06bn (\$216.8m) last year due to reduced property losses and a surge in its core water business.

It also responded to recent corruption allegations. The Lyonnais board announced the creation of subcommittees on ethics, as well as audit and remuneration.

In addition, it announced the resignation of Mr Jean-Yves Haberer, who led the Crédit Lyonnais bank into its recent colossal losses.

Mr Jérôme Monod, Lyonnais's president, said he had had no complaint about Mr Haberer as a Lyonnais board member, but the latter had decided to leave for reasons he "could understand".

Mr Jacques Friedmann, the head of the UAP insurance

group, has also quit the Lyonnais board because he sits on the board of its rival, Générale des Eaux, and is replaced by Mr Didier Pfeiffer, vice-president of UAP.

The professional ethics subcommittee and nine specific codes for branches of its business reflected the need to instill in the group some of the principles of "corporate governance", Mr Monod said.

Lyonnais has been cited in recent corruption investigations in France, most notably concerning Grenoble and its mayor, Mr Alain Carignon, a former minister who has been held in detention since last October. Lyonnais earlier this week won the first stage of a libel action against France 2, a state TV channel.

Last year's 7 per cent increase in turnover to FF99.96bn was chiefly due to a 15 per cent surge in the services business.

First-quarter dip at JP Morgan

By Tony Jackson in New York

J.P. Morgan, the US bank, reported an underlying fall in net earnings of 17 per cent, to \$288m, for the first quarter. After a previously announced charge of \$33m after tax to cover lay-offs, earnings were down 25 per cent at \$1.27 a share.

The figures were better than the market had feared, and sparked a \$2 rise in the share price to \$57.

The bank said operating expenses were up 11 per cent on the year, with the wage bill up 4 per cent as a result of an increase in staff numbers.

By the end of the quarter staff had been cut by 4 per cent to 16,400. However, this was still 7 per cent higher than a year ago.

Of the total increase in costs, 3 percentage points were due to the weakness of the dollar. Spending had been higher on technology and communications than a year ago, but had been cut back from the fourth-quarter level.

Revenue from trading activities fell 15 per cent from a year ago at \$305m, but had almost doubled from the final quarter of last year as a result of a rebound in debt instruments, foreign exchange, equities and

commodities. There was a year-on-year slump in revenues from swaps and other interest rate contracts, to \$83m from \$275m.

While total volume in swaps had been comparable, the bank said, revenues from structured transactions were lower, and there had been losses on some positions arising from client-related transactions.

Fees from operational services were down \$4m at \$140m, due to a decline in custody and securities clearing fees. The bank has been reported as seeking a buyer for its global custody business, one of the world's largest.

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COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Oil rally stalls at 2-year high

The oil market's rally was halted in midweek after prices had reached the highest level for nearly two years.

On Wednesday the prompt May futures contract on London's International Petroleum Exchange extended its run up during the past month to US\$26 a barrel and got within 3 cents of the psychologically important \$19 mark. Profit-taking trimmed it back by a few cents that afternoon, however, and next day the downturn was fuelled by signs that Iraq oil might be back on the world market before too long.

The earlier rise had been encouraged by a warning from Mr Rolf Ekeus, the Swedish head of the UN special commission in charge of dismantling Iraq's weapons of mass destruction, that there were signs of an unrelenting Iraqi biological warfare programme. That seemed to make more remote the prospect of the country's exclusion from the international oil market being lifted. By Wednesday night, however, UN diplomats were saying that Iraq now looked ready to accept a modified version of the proposal it rejected last month to allow it to sell oil to finance purchases of medicine and other humanitarian requirements. The offer for \$2bn worth of oil sales over six months - up from \$1.6bn worth - with less stringent monitoring of the use of proceeds.

"Once Iraqi crude comes back into the market, it is going to be very hard to cut it off after six months," Mehdi Vaziri, an oil analyst at Kleinwort Benson Securities, told the Reuters news agency. "It could create a kind of 'fait accompli' as long as Saddam Hussein satisfies the UN and doesn't shoot himself in the foot."

In pre-Easter trading the IPE's July price slipped 33 cents to \$17.65 a barrel, down

29 cents on the week.

London Metal Exchange base metals prices also fell sharply in this trading ahead of the long weekend break.

Pricing sales linked to the approach of April's "third Wednesday" as well as option-related selling and pre-Easter book-squaring combined to push the three months delivery copper price down to \$2.855 at one point, but a test of the \$2.840 support level did not materialise. Traders told Reuters that the market had been propped up by nearby supply tightness, which was indicated by a \$6.25 widening in the cash premium over three months metal. The three months price rallied to \$2.8825 at the close - down \$3.25 on the day and \$40.25 on the week - and regained a few dollars more in after hours trading.

Aluminium prices followed a similar pattern, and for similar reasons.

The only LME contract to gain ground on Thursday was nickel. But a \$50 rise encouraged by consumer support left the three months position still \$240 down on the week.

Precious metals had a quieter week after recent excitement. Gold slipped back \$4.40 overall to \$380.10 a troy ounce, silver was 11 cents off overall at \$5.30, and platinum was \$8.25 down at \$446.75.

At the London Commodity Exchange coffee futures were weaker in line with the New York market. The July position closed at \$3.010 a tonne on Thursday, down 17¢ on the day and \$95 on the week.

Dealers said the market remained "deadlocked" with producers looking for higher prices and roasters hoping for further declines. "It has been very tight," one told Reuters. Meanwhile the producers' new export regime, which came into effect on Monday, failed to make any impact. As Brazil's exporters and producers continued to squabble over whether coffee should be retained at source or by the exporter, an increasing number of traders came to the conclusion that the scheme did not matter much.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1823-5 1824-5
Previous 1823-5 1824-5
High/Low 1823-5 1824-5
AM Official 1823-5 1824-5
Kerb close 1823-5 1824-5
Open Int. 213,951
Total daily turnover 113,784

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1740-50 1740-50
Previous 1740-50 1740-50
High/Low 1740-50 1740-50
AM Official 1740-50 1740-50
Kerb close 1740-50 1740-50
Open Int. 2,761
Total daily turnover 1785-85

■ LEAD (\$ per tonne)

Close 930-1 930-1
Previous 930-1 930-1
High/Low 930-1 930-1
AM Official 930-1 930-1
Kerb close 930-1 930-1
Open Int. 34,334
Total daily turnover 10,111

■ NICKEL (\$ per tonne)

Close 7345-55 7475-80
Previous 7345-55 7475-80
High/Low 7345-55 7475-80
AM Official 7345-55 7475-80
Kerb close 7345-55 7475-80
Open Int. 213,951
Total daily turnover 113,784

■ TIN (\$ per tonne)

Close 5755-65 5780-90
Previous 5755-65 5780-90
High/Low 5755-65 5780-90
AM Official 5755-65 5780-90
Kerb close 5755-65 5780-90
Open Int. 19,010
Total daily turnover 5,675

■ ZINC, special high grade (\$ per tonne)

Close 1053-5 1057-8
Previous 1053-5 1057-8
High/Low 1053-5 1057-8
AM Official 1053-5 1057-8
Kerb close 1053-5 1057-8
Open Int. 91,428
Total daily turnover 34,757

■ COPPER, grade A (\$ per tonne)

Close 2915-7 2885-85
Previous 2915-7 2885-85
High/Low 2915-7 2885-85
AM Official 2915-7 2885-85
Kerb close 2915-7 2885-85
Open Int. 230,283
Total daily turnover 144,288

■ LME All Official 2/5 rate, 1.2005

■ LME All Official 2/5 rate, 1.2005

■ LME All Official 2/5 rate, 1.2005

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■ LME All Official 2/5 rate, 1.2005

■ LME All Official 2/5 rate, 1.2005

Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

Apr 2001 380.0 380.0 380.0 380.0
May 2001 380.0 380.0 380.0 380.0
Jun 2001 380.0 380.0 380.0 380.0
Jul 2001 380.0 380.0 380.0 380.0
Aug 2001 380.0 380.0 380.0 380.0
Sep 2001 380.0 380.0 380.0 380.0
Oct 2001 380.0 380.0 380.0 380.0
Nov 2001 380.0 380.0 380.0 380.0
Dec 2001 380.0 380.0 380.0 380.0
Total 380.0 380.0 380.0 380.0

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Apr 461.1 +2.3 461.1 461.1
May 461.1 +2.3 461.1 461.1
Jun 461.1 +2.3 461.1 461.1
Jul 461.1 +2.3 461.1 461.1
Aug 461.1 +2.3 461.1 461.1
Sep 461.1 +2.3 461.1 461.1
Oct 461.1 +2.3 461.1 461.1
Nov 461.1 +2.3 461.1 461.1
Dec 461.1 +2.3 461.1 461.1
Total 461.1 +2.3 461.1 461.1

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Apr 171.5 +1.0 171.5 171.5
May 171.5 +1.0 171.5 171.5
Jun 171.5 +1.0 171.5 171.5
Jul 171.5 +1.0 171.5 171.5
Aug 171.5 +1.0 171.5 171.5
Sep 171.5 +1.0 171.5 171.5
Oct 171.5 +1.0 171.5 171.5
Nov 171.5 +1.0 171.5 171.5
Dec 171.5 +1.0 171.5 171.5
Total 171.5 +1.0 171.5 171.5

■ SILVER COMEX (100 Troy oz; \$/troy oz)

Apr 337.8 +4.6 337.8 337.8
May 337.8 +4.6 337.8 337.8
Jun 337.8 +4.6 337.8 337.8
Jul 337.8 +4.6 337.8 337.8
Aug 337.8 +4.6 337.8 337.8
Sep 337.8 +4.6 337.8 337.8
Oct 337.8 +4.6 337.8 337.8
Nov 337.8 +4.6 337.8 337.8
Dec 337.8 +4.6 337.8 337.8
Total 337.8 +4.6 337.8 337.8

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

Apr 16.15 -0.40 16.15 16.15
May 16.15 -0.40 16.15 16.15
Jun 16.15 -0.40 16.15 16.15
Jul 16.15 -0.40 16.15 16.15
Aug 16.15 -0.40 16.15 16.15
Sep 16.15 -0.40 16.15 16.15
Oct 16.15 -0.40 16.15 16.15
Nov 16.15 -0.40 16.15 16.15
Dec 16.15 -0.40 16.15 16.15
Total 16.15 -0.40 16.15 16.15

■ CRUDE OIL IPE (Barrel)

Apr 16.15 -0.40 16.15 16.15
May 16.15 -0.40 16.15 16.15
Jun 16.15 -0.40 16.15 16.15
Jul 16.15 -0.40 16.15 16.15
Aug 16.15 -0.40 16.15 16.15
Sep 16.15 -0.40 16.15 16.15
Oct 16.15 -0.40 16.15 16.15
Nov 16.15 -0.40 16.15 16.15
Dec 16.15 -0.40 16.15 16.15
Total 16.15 -0.40 16.15 16.15

■ HEATING OIL NYMEX (42,000 US gal; \$/barrel)

Apr 16.15 -0.40 16.15 16.15
May 16.15 -0.40 16.15 16.15
Jun 16.15 -0.40 16.15 16.15
Jul 16.15 -0.40 16.15 16.15
Aug 16.15 -0.40 16.15 16.15
Sep 16.15 -0.40 16.15 16.15
Oct 16.15 -0.40 16.15 16.15
Nov 16.15 -0.40 16.15 16.15
Dec 16.15 -0.40 16.15 16.15
Total 16.15 -0.40 16.15 16.15

■ NATURAL GAS NYMEX (10,000 mcf; \$/mcf)

Apr 1.615 -0.002 1.615 1.615
May 1.615 -0.002 1.615 1.615
Jun 1.615 -0.002 1.615 1.615
Jul 1.615 -0.002 1.615 1.615
Aug 1.615 -0.002 1.615 1.615
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Nov 1.615 -0.002 1.615 1.615
Dec 1.615 -0.002 1.615 1.615
Total 1.615 -0.002 1.615 1.615

■ UNLEADED GASOLINE NYMEX (42,000 US gal; \$/barrel)

Apr 1.615 -0.002 1.615 1.615
May 1.615 -0.002 1.615 1.615
Jun 1.615 -0.002 1.615 1.615
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Nov 1.615 -0.002 1.615 1.615
Dec 1.615 -0.002 1.615 1.615
Total 1.615 -0.002 1.615 1.615

■ LONG TERM FUTURE OPTIONS (LIFE) \$500,000 30% of 100%

Apr 1.615 -0.002 1.615 1.615
May 1.615 -0.002 1.615 1.615
Jun 1.615 -0.002 1.615 1.615
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Total 1.615 -0.002 1.615 1.615

■ LONG TERM FUTURE OPTIONS (LIFE) \$50

FINANCIAL TIMES

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Saturday April 15 1995

No nest egg in housing

This is the time of year when an army of estate agents traditionally renews its assault on the British first time buyer. Yet the quarter of the agents are depleted; house prices are still down 30 or 40 per cent from their peak in some parts of the country, and the first time buyer remains unusually shy. If an upturn in the housing market is a precondition of any improvement in the government's ratings in the polls, the omens are none too good for the Tories.

Figures from Halifax Building Society this week showed that house prices in the first quarter of the year were down 1 per cent on the same period of 1994. While five of the 12 regions in the UK showed an increase, only one, Northern Ireland, showed a rise in excess of the rate of inflation.

While the value of the market is shrinking in real terms, new lending is stagnant or worse. Just to complete the litany, housing starts were down 9 per cent in the first two months of the year against the same period of 1994.

The mantra of estate agents, and the hope of Tory politicians, is that house prices are now very low in relation to average earnings. Indeed, the ratio of prices to earnings is at its lowest level in four decades. But while that may be good news for those whose first consideration is to put an attractive roof over their heads, it says nothing about the investment merits of land, bricks and mortar. The plain fact is that the economics of housing have changed dramatically in recent years.

For those who were fortunate enough to buy in the 1950s, 1960s and 1970s, the cost of home ownership was heavily distorted in their favour. The untaxed appreciation in the value of their house largely offset the cost of servicing the mortgage. The government then threw mortgage interest tax relief into the financial equation. In effect, it was paying people to live in their own homes.

Singularly unappealing

This is not so today. While house prices fall, real interest rates on the debt are at historically high levels and the trend of nominal rates is upwards. The government, meantime, is reducing its subsidies. This month saw a further cut in mortgage interest relief, while limitations have been imposed on income support for borrowers. Compared with gilts, equities or even cash, housing currently looks a singularly unappealing investment.

This is an economic recovery in which the sense of economic wellbeing is confined to the corporate sector, which has put its balance sheet back into shape and is enjoying a post-devaluation export bonus. The personal sector, in con-

trast, remains heavily indebted. More than 1m home owners still suffer from 'negative equity', whereby they owe more than the value of their house. With more people in part-time employment, or self-employed, the readiness to take on long-term mortgage commitments is less than in the days before people knew what it meant to be rationalised, downsized or structurally adjusted.

In one important sense, a flat housing market is all to the good. The absence of a wealth effect of the kind that accompanied the house price spiral of the late 1980s makes for more stable macro-economic policy. Less expensive housing and a greater availability of homes to rent should ultimately help labour mobility.

Peace dividend

Yet the workings of the market are also inequitable, in that the inter-generational transfers have disproportionately favoured those born between 1920 and 1950. This was a numerically small generation that imposed little upward pressure on house prices when it was buying. It enjoyed its windfall housing gains at the expense of old people whose savings were eroded by inflation, and of young people who paid for a tax subsidy, mortgage relief, that was immediately capitalised in house prices, thus making homes more expensive for aspiring young buyers.

The lucky generation was doubly fortunate in that it was able to sell to first time buyers at prices that reflected a baby boom-induced increase in demand. Unless these younger buyers prove unexpectedly fertile, they will have to sell their homes, or trade down, in a demographically hostile market when they grow old. They should console themselves with the thought that their parents lived through Hitler's war. This inter-generational transfer could then be seen as a well-deserved peace dividend.

Yet this is not a payout for which anyone will now thank the present government. Nor, fortunately, do senior ministers appear to believe they can buy votes with new wheezes to prop up the housing market. In due course, falling interest rates and income tax cuts may deliver a fillip to house prices. If brokers are right in putting the gain to the personal sector from the Halifax-Leeds building societies' flotation as high as £5bn, or 1% per cent of personal disposable income, there may be more cheer around in 1997.

But by then it may be too late for the government. And if the markets choke on the tax cuts, interest rates will shoot back up. If there is a *deus ex machina* for the Tories, it will not emerge from the housing market.

These are good times for Detroit, and they should have been particularly good for Mr Robert Eaton, chairman of US carmaker Chrysler.

Since moving from General Motors two and a half years ago, Mr Eaton has overseen one of the great turnarounds in US corporate history. The once slogging Chrysler has transformed itself into what some say is the world's most efficient carmaker. Mr Eaton has just announced the company's first investment in its home town since 1988: a factory to build V8 engines for pickup trucks and Jeeps. By the end of March Chrysler was sitting on a cash mountain of \$7.5bn.

It was these riches, however, that spoiled the party. On Wednesday Mr Kirk Kerkorian, a billionaire investor better known for his interests in airlines and casinos, announced plans to buy the company. He is impatient about Chrysler's flagging share price and has been pressing the company for months to share more of its wealth with shareholders. The only comfort for Mr Eaton is that Mr Kerkorian has yet to line up the \$20.5bn he would need to buy the 50 per cent of Chrysler he does not already own, and has not made a formal offer.

Sitting alongside Mr Kerkorian is Mr Lee Iacocca, Chrysler's flamboyant former chairman, whose own stake in the company would be valued in a buy-out at \$50m (Mr Iacocca has sold a large part of his Chrysler shares since leaving the company at the end of 1992).

The proposal has shocked Detroit, and left car workers unmoved. Mr Iacocca remains a folk hero in the motor industry, though there is a general unease now about his motives. "What's he want to do that for - hasn't he got enough money already?" asks Mr Horace Johnson, a retired car worker.

Mr Steve Yelich, who will shortly take over as head of the United Auto Workers Union, says the initial reactions of his members have been deeply divided. In everyone's minds are the buy-outs and break-ups of the 1980s, when companies were carved up for the profit of financiers. What will it do for jobs in a region that is experiencing its biggest boom since the late 1960s?

Mr Kerkorian has said that he does not plan to unseat Mr Eaton's management team, and will not sack workers or force them to accept tougher terms. However, memories of the 1980s, when such promises from corporate raiders were often broken, remain strong.

Mr Kerkorian is not alone in giving credit to Mr Eaton and his management team. Along with Mr Robert Lutz, the former Ford executive brought in by Mr Iacocca in 1988, Mr Eaton has transformed Chrysler into one of the US's best-run manufacturing companies, and won a strong following on Wall Street.

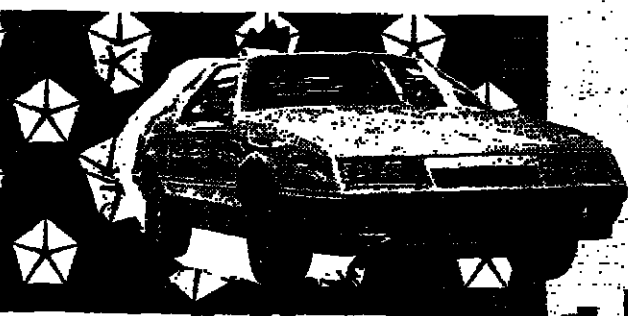
Mr Eaton heads a company with "outstanding management", says Mr Seth Glickenshaus, a New York investment manager with a large stake in the motor manufacturer. "He and Lutz have turned around a company that was on its back."

Compared with Mr Iacocca, a self-publicist who championed the company's vehicles in television commercials, Mr Eaton is a low-key leader. A former number two in Europe to Mr John Smith, the man who now heads General Motors, it was Mr Eaton's record as a strong operating manager that attracted the attention of Chrysler's board.

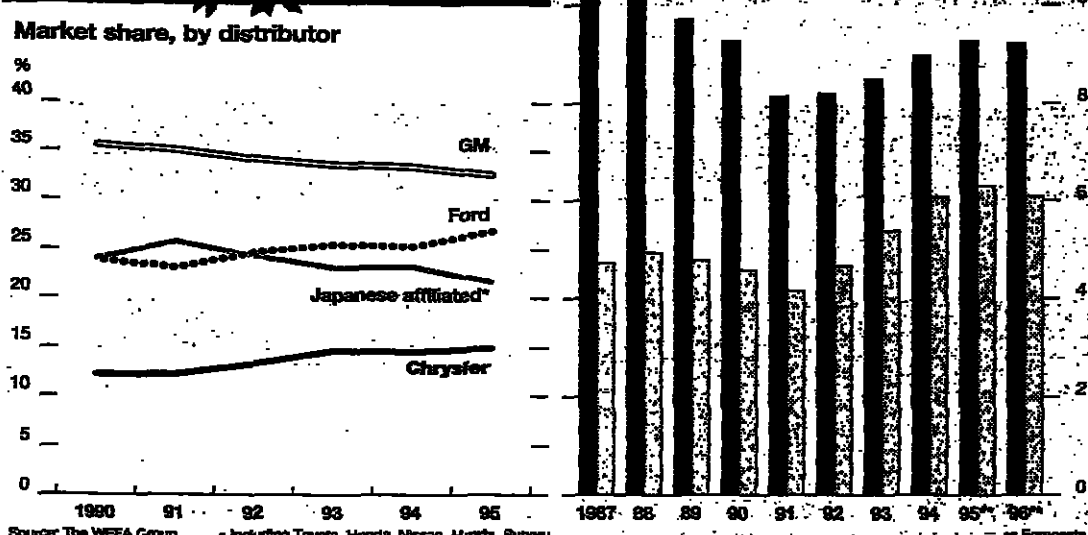
While it was Mr Iacocca who persuaded Congress to back a bail-out of Chrysler in 1980, and who over-

Chrysler's success in amassing cash reserves has exposed it to predators such as Kirk Kerkorian, writes Richard Waters

Investors in the driving seat



Chrysler: gaining ground



took a boom and bust in the 1980s, Mr Eaton's achievement has been to turn the company into a well-oiled machine that, on some measures, makes cars more efficiently than any other manufacturer on earth.

Toyota included. "Lee was right for his time - Bob's right for this time," says Mr Dennis Pauley, Chrysler's head of manufacturing.

Mr Eaton did not create Chrysler's turnaround, but he has seen it through in style. The recovery owes much to actions taken while Mr Iacocca was still at the helm. One was the drastic cost-cutting undertaken to keep the company alive, something that has left it with low overheads by industry standards. Compare that with General Motors, which is still in the process of closing excess factories it does not need, even at what could turn out to be a peak of the cyclical US car and truck market.

Another advantage bequeathed to Mr Eaton is Chrysler's strong product line, including the minivan created under Mr Iacocca in the early 1980s and which now accounts for more than a third of the vehicles the company produces.

The company's mix of vehicles has been right for the times. Pick-ups, minivans and sport-utilities - all classified in the US as light trucks - have become the hot vehicles of the 1990s. The US baby-boomers who bought sporty little Japanese cars in the 1980s are now swapping them for trucks big enough to ship around their grow-

ing families. Chrysler's share of US car and light truck sales has risen from 12 per cent in 1991 to nearly 15 per cent now.

External factors have also flattened Mr Eaton's performance. Low US interest rates in the early years of the decade prompted a strong rebound in car and truck sales, although higher rates in the past



Robert Eaton: unassuming manager

year have taken some of the heat out of the recovery.

Also, a strong yen has kept the Japanese carmakers, scourge of Detroit in the 1980s, at bay. While the Japanese have clung to their share of the North American market, in part by shifting more production to the US and in part by

heavy discounting, they have not presented a serious threat to the Big Three US manufacturers.

Mr Eaton has made the best of the opportunities presented. By putting constant pressure on his managers to find ways of doing things faster and cheaper, he has ratcheted down Chrysler's costs - and so lifted its profit on each vehicle sold above the level at Ford and General Motors.

Recent consumer surveys have begun to cast doubt on the quality of some of the company's vehicles. In spite of attracting widespread publicity, though, these have done little to dent Chrysler's sales. And according to Mr Eaton's fans, they have been much exaggerated. "In reality, it's nothing like as bad," says Mr John Neff, a fund manager who is one of Chrysler's biggest shareholders and who says he has done his own research into consumer attitudes.

If Mr Kerkorian's bid was about the strength of Chrysler's management or about the quality of its vehicles, Mr Eaton would have little to worry about. But it is not that it is about Chrysler's finances. For while the company has learnt how to build good cars cheaply, it has not been able to persuade Wall Street of the soundness of its financial strategy. The result has been a weak share price and, finally, the threat of a bid.

At issue is the highly conservative financial strategy adopted by Mr Eaton. The cyclical nature of

profits in the motor industry, which must support its high overheads and continued capital spending even in bad times, has nearly sunk Chrysler twice in the past 15 years. Mr Eaton has used the cash generated in the good years to create a cushion for the bad.

According to Chrysler, its target of maintaining a \$7.5bn cash buffer will ensure that it can maintain investment in the bad years. The company spent \$3.8bn last year on new plant and equipment. Over the past three years, it has used \$13.7bn of its cash to develop new products and back capital projects, and expects to spend at least this over the next three.

Having too much cash can be nearly as much of a problem as too little. "This is often a major source of disagreement between management and shareholders," says Mr Ken Lehn, an economist at the University of Pittsburgh. "Managers want to keep the cash in the company for their own projects."

Companies that succumbed to buy-outs during the 1980s tended to share two characteristics, he says: they generated more cash than they used and used it in ways - either by buying other companies or investing it in their own businesses - which failed to lift their share prices.

Chrysler is also vulnerable to attack because of its low level of debt. The company's automotive business had just \$2.2bn of debt at the end of last year, and \$10.7bn of equity. This conservative financial structure has been good for Chrysler's bond holders and bankers, but may not have served its shareholders well.

More debt and less equity concentrates equity gains in the hands of a smaller group of shareholders, gearing up (or leveraging) their gains if a company is successful - though increasing the risks for shareholders when things are bad.

Also, debt is a more tax-efficient form of finance, since interest payments are tax-deductible, unlike dividends. Mr Kerkorian calculates that using the tax relief, he could take the cash Chrysler pays out each year in dividends and use it to service \$11bn of debt.

The logic of leverage was taken to extremes in some of the buy-outs of the 1980s. But Mr Kerkorian's associates say it is wrong to call his proposal "leveraged". Only 50 per cent of Chrysler's total capital (including that in its finance subsidiary) is in the form of debt. At Ford, the figure is 78 per cent; at General Motors, it is 86 per cent. Even after the buy-out proposed by Mr Kerkorian, Chrysler's debt-to-equity ratio would rise only to about the same level as Ford.

On Thursday, Mr Eaton was still insisting that Chrysler needed its cash cushion. It is justified by comparison with "the last downturn, when we had a much lower capital spending programme", he said. "We believe we need it."

What happens next depends on whether Mr Eaton decides to offer up some of the cash to shareholders by increasing dividends or buying back shares in order to keep Mr Kerkorian and other shareholders happy - and on how aggressively Mr Kerkorian pushes his cause. So far, Chrysler has said that it is not for sale and will continue with business as usual.

For Mr Eaton, and for the city of Detroit, the message is clear: the investors who have backed Chrysler through bad times as well as good now want their share of the reward.

WOMAN IN THE NEWS: Gillian Shephard

Examination time begins

For Mrs Gillian Shephard, the brisk and energetic UK education secretary, this may be the week it all started to go wrong.

Over the past nine months, the 55-year-old Tory cabinet minister has enjoyed an unusual honeymoon with Britain's normally abrasive teaching unions.

In contrast to her unpopular predecessor, Mr John Patten, Mrs Shephard - whose husband is a headteacher - spent her first months in office convincing teachers and parents that she understood their problems and wanted to help.

Teachers and headteachers in the state sector, who say that this year's central government funding plans for education will cause thousands of redundancies and larger class sizes, found it refreshing to meet a Tory education secretary who sympathised with their problems.

Even this week, she was applauded at the rafters at teachers' conferences at Warwick and Harrogate.

But at the Harrogate meeting on Wednesday, the moderate ATL teachers' union broke the spell with a unanimous vote to hold ballots on industrial action over class size, threatening a summer of discontent. The National Union of Teachers and National Association of Schoolmasters/Union of Women Teachers, both more militant than the ATL, will debate class size protests over the next week and could take similar action.

To make matters worse for Mrs Shephard - whose political ambitions should not be underestimated - there have been private jibes against her from rightwing Tory members of parliament, who always viewed her genteel attitude to

the teachers with suspicion.

Perhaps in response to such criticism from within her own party, there were signs towards the end of this week that Mrs Shephard might be prepared to take a tougher stance against the teachers. "We have had Iron Ladies in the past. I can sometimes be an Iron Lady," she said in a reference to Baroness Thatcher, the former prime minister (and former education secretary).

Her comment was perhaps a sign that she was taking seriously recent speculation that she could succeed Mr John Major as party leader. Some see her as a possible compromise candidate if a battle for the leadership involving Mr Kenneth Clarke, the chancellor, Mr Michael Heseltine, trade and industry secretary, and Mr Michael Portillo, employment secretary, were to prove inconclusive. She remains, however, an outside bet.

Appointed to clear up the mess left by her predecessor, Mrs Shephard quickly defused the issue which had destroyed Mr Patten - the government's botched introduction of controversial National Curriculum tests - by persuading all the teachers' unions to abandon their damaging boycott, with the help of £18m of extra funding to provide supply teachers to administer the tests.

She also announced a number of measures that won teachers' wholehearted backing. These included reform of the sixth-form curriculum used in England and Wales, and an extensive review of higher education, aimed in particular at making it more accessible to mature students.

Her direct and frequently informal manner helps, too. She goes out to meet guests in the education



department's waiting room rather than receiving them in her imposing office; she carries a pair of walking shoes wherever she goes to keep her feet comfortable.

In a House of Commons increasingly dominated by career politicians, she is unusual in that she has spent time lecturing in European studies and working for the local government careers service. She entered parliament only in 1987. Colleagues say her fluent French won the UK more than a few concessions at European Union meetings in her last job as agriculture minister.

But rightwing MPs dislike her open calls for more education funding. In January a letter from Mrs Shephard to Mr David Hunt, the cabinet's chief political troubleshooter, was leaked to the press. In it she claimed that 10,000 teachers could lose their jobs as a result of the projected funding settlement. Rightwingers are also upset at her promise to unions this week that

education will be "the top priority" in next year's funding round.

They feel she has missed the point. "I'm not impressed with her stand on teachers' pay," said one prominent backbencher. "She hasn't got across the message that local education authorities can save teachers' jobs by cutting bureaucracy."

The Tory right was already wary of Mrs Shephard because of her opposition to the idea of a voucher system to fund nursery education. The party's free marketeers, headed by Mr Jonathan Aitken, chief secretary to the Treasury, see Mr Major's new commitment to support all parents wanting nursery education for their children as the ideal opportunity to experiment with vouchers, which it has long believed could be an important expansion of the role of market forces in public services. Vouchers would give every parent a grant to be put towards either private or local authority nursery provision.

But in an increasingly public row, Mrs Shephard has branded voucherers as "cumbersome". Instead, she backs a bidding system, under which private and local authority nurseries would bid for state funds controlled by a quango.

Mrs Shephard's problems in balancing the demands of the education system and those of her government colleagues are not about to go away. Among her meetings later this month is one with the National Confederation of Parent-Teacher Associations, a lobby group opposed to the government's decision not to provide extra money to fund this year's pay award for teachers.

She remains under pressure from teachers to persuade the government to do more to help them and their schools. "Keep on our side and keep fighting our battles," Mr John Dunford, next president of the secondary heads' association, told her this week.

John Authers and James Blitz

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صكزا من الارجل

Power of the sunshine factor

The UK government is searching for the magic formula that will make voters feel good, says Robert Chote

Conservative backbenchers and hard-pressed retailers have been fretting for months about the absence of the fabled "feelgood factor" in the UK. It is as though they are searching for some elusive national G-spot which will revive enthusiasm for voting Tory and spending with abandon.

This obsession has mounted relentlessly in recent months. The feelgood factor has been mentioned in 1,145 articles in the national press in the past year, five times more than in the preceding 12 months. But do we really know what the feelgood factor is, and how it is determined?

Economists blame the nation's melancholic mood on everything from higher taxes and depressed house prices to the rise of the part-time job. These explanations are certainly important. But are exponents of what Thomas Carlyle, the historian, dismissed as "the dismal science" really the best available authorities on the wellspring of human cheerfulness?

In the US - where the pursuit of happiness is, after all, enshrined as an inalienable right in the declaration of independence - a broader range of academics has addressed the question. The University of Michigan, for example, is trying to establish how people decide whether they are happy. Numerous disciplines are involved: economists are investigating whether it is all down to money; sociologists, whether it is a function of class; and gerontologists, whether we get happier as we get older.

The layman might regard this academic firepower as excessive and argue that all you need to do to find out whether people are happy

is to ask them. But Norbert Schwarz, professor of psychology at Michigan and co-ordinator of the happiness project, believes it is not that simple.

He argues that the feelgood factor is volatile and subject to many influences. People are more upbeat in their response to opinion polls when the sun is shining or they are in love, for example. Schwarz has even established that someone finding a lost coin on his or her office floor in general is happier about life in general than they seem.

These short-term influences may be more important than they seem. Former UK prime minister Harold Wilson's belief that England's quarter-final defeat in the 1970 world cup lost him that year's general election finds support from psychological studies in Germany. These found that football fans were much cheerier about their lot in life when their favourite team was on a roll.

"Similarly, if you are a supporter of Manchester United, and Eric Cantona has just been suspended, then you are bound to be cheered off," argued George Gaskell, senior lecturer in social psychology at the London School of Economics.

Short-term fluctuations in mood also mean that opinion polls need to be treated with caution. Most pollsters are careful to ask general

questions about people's wellbeing or their opinions of the government before asking about specific topics such as unemployment or crime, which might remind people what it is they have to be gloomy about.

But some people may have developed a Pavlovian response to the merest sight of pollsters, seeing them as a captive audience for a satisfying rant. This may vary from country to country, perhaps explaining why surveys asking people across Europe how they feel often generate the counter-intuitive result that the Italians are the continent's gloomiest race.

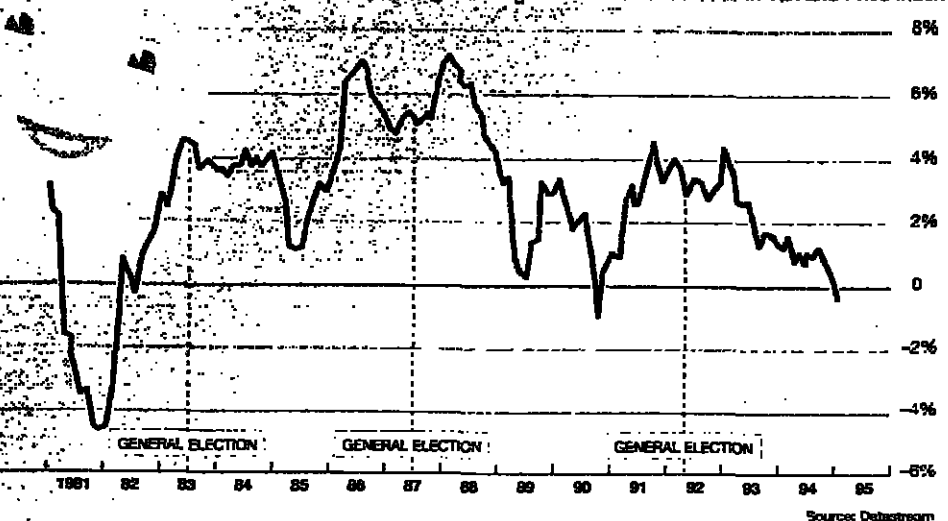
But the real problem with studying the feelgood factor is that it is difficult to define in a way that can be measured. "Happiness is a concept that everyone in the street understands, but ask psychologists about it and they will say it is too difficult," according to Gaskell. Hence the emphasis on surveys which ask consumers about their finances and spending plans.

Gaskell believes that "negative equity" is the principal depressant. The fact that millions of people are trapped in houses worth less than the outstanding value of their mortgage "must have quite a profound effect on how they feel," he says.

A report today from UBS, the stockbrokers, shows the extent of

UK pay rises fall behind increases in prices & taxes

Annual increase in average earnings versus annual increase in Tax and Price Index



the problem. It calculates 1.2m households in the UK had negative equity in the first quarter of the year, 100,000 fewer than at the end of 1994. Negative equity has fallen in the south-east, but is rising in the East Midlands, south-west, and Yorkshire and Humberside.

This implies that the feelgood factor should vary by region, but the evidence for this is mixed. Rachel Walker, senior planner at Duckworth Fenn Grubb Waters, the advertising agency, recently organised a series of discussion groups to

assess the feelgood factor among different types of people in the UK. "They were all immediately negative and blamed the government," she said. Attitudes were similar by location, age and sex, although students seemed especially morose. The participants were worried about redundancies, job insecurity, inadequate pay and the housing market. Some admitted to splashing out on clothes to cheer themselves up, only to suffer pangs of guilt and return the items a day later.

much by the absolute level of their living standards as by comparisons with the people around them and their own past experiences.

Employment Department figures showed last week that average earnings had not risen quickly enough over the past year to defend living standards against higher prices and taxes, for which the government is taking much of the blame. As the graphic shows, real post-tax earnings were rising at the time of the last three elections. Until this year, living standards on this measure had risen, apart from in 1990, for the past 14 years. Is it any wonder the government is unpopular today?

A study published by the Reward Group, the remuneration consultants, meanwhile, suggested that the cost of maintaining living standards was rising more quickly for those on low incomes than the well off. This may be further hampering the feelgood factor by worsening inequality.

Reward calculated that a family with a council house, a small car and no telephone needed a pay rise of 6.9 per cent last year to keep pace with taxes and prices. But the occupants of a six-bedroom private house with a home-help, school fees and golf club membership needed 5.1 per cent. Earnings in fact rose only 3.5 per cent on average.

So the combined efforts of psychologists and economists suggest that a whole host of measures would be needed to revive the feelgood factor. The government should cut taxes, fuel house prices, reduce inequality, improve the weather, lift the performance of the England cricket team and rekindle our love lives. Its re-election would then be assured.

Man-made fibres are back in vogue, writes Jenny Luesby

A taste for the unnatural

From designer salons to high street stores, clothes made from petrochemicals are back in vogue in Europe. Catwalks and glossy magazines are full of glamorous models draped in the latest nylon and viscose creations. Global production of synthetic fibres jumped last year by 9.6 per cent. The market share of man-made fibres as against natural ones is at an all-time high of 53 per cent.

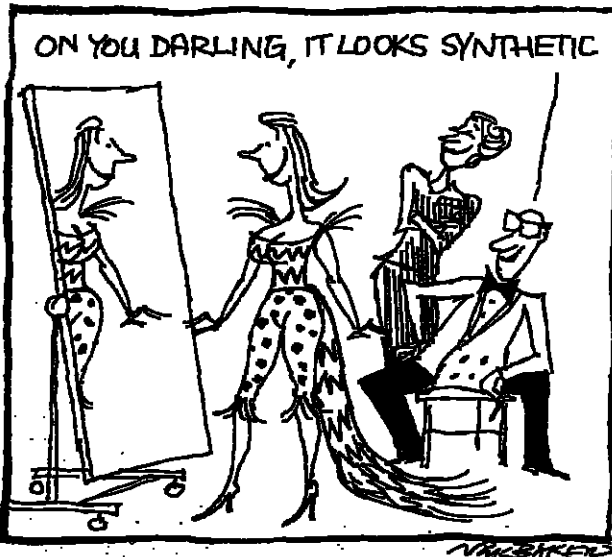
The fashion industry says this trend is part of "an emerging post-materialist culture". By this it means that consumers now care more about comfort than cachet and have identified a new wave of man-made fabrics as more comfortable than their natural counterparts.

Others take such claims with a pinch of salt, however. They think the shift towards man-made fibres is being driven as much by economics as by changing consumer tastes; the industry is finding it hard to pass on the fast-rising cost of natural raw materials to customers who remain acutely sensitive to price increases.

Certainly, the increased demand for man-made fabrics has come at a very convenient time for the European textile industry. In the past 15 months, the prices of cotton, wool, silk and linen have soared, propelled by drought, disease and protectionism. Cotton prices have doubled over this period; linen prices have tripled.

A simple switch from cotton, currently selling at just under \$1.15 a pound, to polyester, would save textile manufacturers 58 cents a pound. Linen producers can cut their raw material costs by about 30 per cent by using viscose.

But such a strategy presents its own problems. European clothing producers have only managed to survive, in the face of cheap imports from Asia, by carving out a market in high-quality, high-fashion goods, which require a quick turnaround on new designs. But it has long been taken for granted that these



products are made of natural fibres.

From Scottish wool to Irish linen and Italian silk, European producers have built their markets on the widespread belief among consumers that natural fibres mean high quality.

In turning to man-made fibres, they need to engineer a rapid reversal in consumer preferences, and to establish that there are extra benefits that European companies can bring to synthetic fibre textiles, which their Asian competitors cannot. "Silk is becoming too expensive," says Mr. Moritz Mantoro, a director of Mantoro Seta, an Italian fine silk manufacturer. "We are looking for other fibres."

The company has settled on the latest polyester fibres, finer than a human hair, which can be made to look and feel similar to silk, and has launched a range of fabrics. It believes it can cover the costs of weaving them in Europe by offering a range, speed of delivery and consistency of quality that buyers will not get from Asian suppliers. Parkland Textiles, a UK-

based wool weaver, which is increasing the polyester content of its blends, is using colour in a bid to stake out its competitive edge.

"We are lowering our raw material base by shifting the balance towards polyester, but also accelerating our innovation," says Mr. Bryan Lodder, Parkland's chief executive. "We are developing clever colours, which match across whole ranges of fabrics, and new textile constructions."

The range of new materials made possible by new technology should give fabric manufacturers plenty of options in determining their strategies.

At Premiere Vision - the trade show in Paris for the European weaving industry - this spring, stands were laden with innovations, from stretchy synthetic silks and super-soft nylon laces through to iridescent linens containing materials which combine metals and plastics, and heat and light-sensitive colours.

Nylon, polyester and acrylic have been made more versatile through the development of super-fine fibres, in shapes designed to lock together, or

sit apart, that can be twisted, crimped or brushed.

Until now, these have been used mainly in sportswear - building on the reputation earned by Lycra as a high-performance fibre. Ideal for cycle shorts, ski clothes or tennis shirts, the new microfibres can form fabrics that are extra light, warm, stretchy or durable.

The most significant change has been among the most simple: it is viscose that is really leading the pack among synthetic fibres, both as a stand-alone, and in blends with cotton, linen, wool, nylon and polyester.

In its earlier incarnation, as rayon, its use was limited by its lack of strength, particularly when wet. Fibres needed to be relatively thick to withstand normal wear, which made viscose fabrics hang awkwardly and look shiny. Gradual improvements in manufacturing methods have produced stronger, finer viscose fibres, with a much softer lustre and better drape.

International chemical companies are among the main beneficiaries of the shift towards synthetic fabrics. Hoechst of Germany, for example, achieved a 32 per cent increase in the operating profits of its fibres division last year, while both Hoechst and Du Pont, of the US, have announced plans to expand capacity in America for making polyester suitable for textiles.

For European clothes producers accustomed to working with natural fibres, however, it will not be easy to carve out a high-quality market niche in synthetics. But the stakes are high: with profit margins that rarely rise above 10 per cent - and are more typically around 5 per cent - some are faced with a choice between synthetic fibres and going out of business.

The message from the fashion world is that the shift to synthetic fibres is being led by changing tastes and innovative fabrics. In the textile industry, there is an air of a virtue having been made out of a necessity.

Two determined bidders in New York last week chased up the price of a single 1930s fashion photograph to a startling \$140,000 - nearly six times its estimate.

Their enthusiastic pursuit of the image, the work of Baron Adolphe de Meyer, a German photographer, underlines how the market for photographs has been transformed over the past 25 years from the hobby of a small coterie of specialists into a substantial business.

Last week alone, two sales of photographs at the two main auction houses - Christie's and Sotheby's - brought in nearly \$5m. The photograph is now firmly established alongside paintings and sculpture as a collectable work of art.

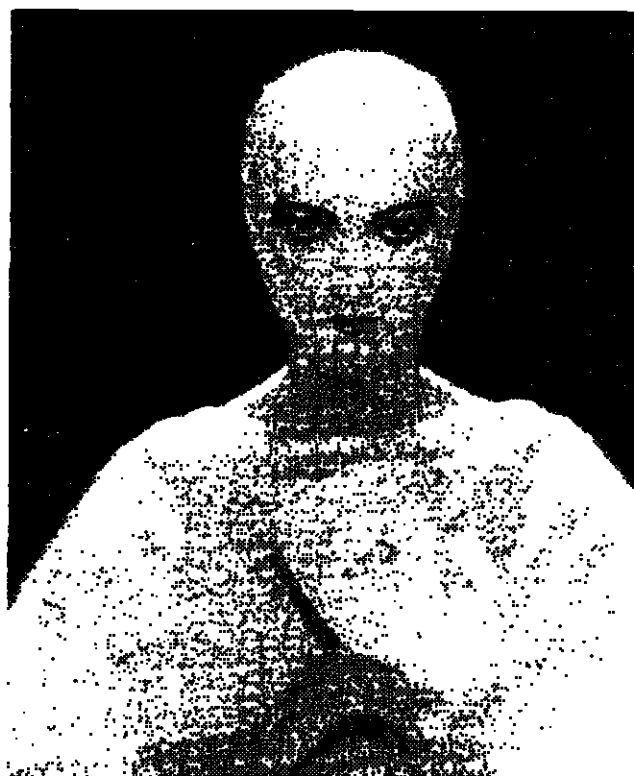
This journey towards respectability began in 1984 at the Getty Museum in California. Although it is the most richly endowed museum in the world, the Getty was a recent foundation and consequently had no chance of rivaling the great museums in their holdings of traditional art.

It decided instead to attempt to become dominant in emerging fields, and in a matter of months invested \$20m in photographs, of which it now has an unrivalled collection.

Even during the recession in the early 1990s a growing band of enthusiasts kept prices high. In the depressed market of 1993, Christie's secured a record price of \$388,500 for a photograph of the hands of the artist Georgia O'Keeffe, taken in 1920 by Alfred Stieglitz, one of the great 20th century photographers. Significantly, it was bought by a collector of paintings.

Recent photographic auctions have shown some of the tension and unpredictability of a market that has developed very rapidly. In its autumn sale, for example, Christie's suffered disappointments. Last week, it gently twisted a few arms, retained its estimates and increased its marketing expenditure, with the result that 94 per cent of the top lots were sold, making more than \$2.5m.

Sotheby's, by contrast, took a more bullish view of sales prospects. The results were famous images by Edward Weston and Stieglitz, who are credited with creating photography as an art form in the early part of the century,



Snapped up: the 1930s fashion image which fetched \$140,000

Room for development

Photographs are a growing art market, says Antony Thorncroft

looked overvalued and failed to sell, although the session as a whole raised \$2.3m.

In spite of these tensions, a fair sprinkling of record prices have been paid for particular images in recent auctions, and the long-term financial viability of the market seems secure. There are plenty of collectors, balanced between the US and Europe; and so far there has been little of the speculation that holed the Impressionist market in 1990.

Photographs are an art form that, with its modernity and immediacy, appeals to "new money". There are high-profile show-business collectors such as rock stars Madonna and Elton John and Hollywood actors Richard Gere and Jodie Foster. But there are just as

many businesspeople and bankers.

With so much money now involved, collectors, dealers and saleroomiers have become adept at researching every valuable, or potentially valuable, image. Within a generation, photography has produced a small group of sought-after icons, which have the same appeal to collectors as the leading Impressionists or Old Masters but which are cheap in comparison.

Although there has traditionally been some reluctance to spend money on images that, by their nature, can be endlessly reproduced, dealers argue that this is diminishing. According to Rick Wester, who heads Christie's photography department in New York:

"Photography has lost its patina of the multiple."

The highest-priced photographers are artists such as Man Ray, Rodchenko and El Lissitzky, who considered themselves part of the great creative movements of the 20th century, but expressed their ideas through photography.

In contrast, the work of the 19th century pioneers remains comparatively inexpensive. Their images of people, places and historical events appeal mainly to European connoisseurs. But if historic photographs relate to American folklore, they can fetch exceptional prices. In New York last week, one of the 270 known copies of E.S. Curtis's *The North American Indian*, an early 20th-century work, sold for \$464,500. In 1953, when it was regarded as a book with photographs, a set had sold for \$650.

Most photographs sold at auction, and through dealers, cost less than \$1,000. Auctions now split into two: a small group of costly images by the top names, and hundreds of inexpensive familiar prints.

The big buyers are increasingly circumspect about their purchases. Five years ago collectors would have bought the name; now they pinpoint the images they really want.

What is the danger? They are dogged in the chase. It mattered little to the buyer who last month acquired a Man Ray - *The Violin d'Ingres* - that his purchase was merely a copy produced and signed by the photographer 40 years after he created the original. It was enough that the piece had been touched by the master: it fetched \$63,500 (\$101,120).

The most valuable photographic images usually come from limited editions, where the negative has been lost or destroyed. Experts know the number of prints in existence and where they are. But the attraction is that new prints can suddenly appear - last week Sotheby's offered an image by Edward Weston which had surfaced in Mexico. It had been thought there was only one print, and it was snapped up for \$112,500. Such surprises are likely to get rarer, but they make photography an art form which is nicely balanced between the known and the unexpected.

An inspiring creation

From Dr Jörg Schimmelpfennig

Sir, Even though Clement Crisp dismisses Ashley Page's *Ebony Concerto* very briefly as a "get-together academic" ballet ("Out of step with Stravinsky", April 11), I rate it as one of Page's most inspiring creations for the Royal Ballet.

True, it looks predictable the moment the curtain is raised on the smoke-filled stage, with the dancers evoking slightly exaggerated stereotypes of memories of two Chicago gangsters together with their molls. However, this changes very soon as the roles of the female dancers are developed - in a tantalising sequence of sparkling, and erotic, pas de deux - from seemingly mere supplements

to become rather more of a full-blooded Meredith Johnson type. In a way, Page thus restores a balance between male and female dancing roles which, apart from Balanchine's works, has been unknown in ballet development over the past two centuries.

With respect to the costumes, *de gustibus non est disputandum*! I actually liked them.

Were it not for last for nine minutes only, *Ebony Concerto* alone would be worth the seat price. Together with the faithfully staged magnificent *Duo Concertant*, on the same bill, it surely is. Jörg Schimmelpfennig, Nidrupur Str. 103, D 49076 Osnabrück, Germany

So how can abuses be spotted?

From Mr John Duffield

Sir, As the Commons committee on privileges has concluded it is wrong for MPs to put down questions in the House in return for payment, and has also censured The Sunday Times for its entrap-

ment method of bringing this abuse to light, can its members explain how they would have expected this sort of abuse to be discovered?

John Duffield, 64 Spring Grove, Loughton, Essex IG10 4QE, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'line'). Translation may be available for letters written in the main international languages.

No incentive to recruit in today's climate

From Mr Eric Chalker

Sir, Samuel Brittan (Economic Viewpoint, April 6) is puzzled because businesses are not extending capacity "to take advantage of abundant surplus labour". This business cannot offer a full answer, but some thoughts may help.

At the end of 1990 we employed 28. Four years later the number was five. This year we have started recruiting, are up to eight staff already and are hoping for another four.

This would not have been enough to produce a satisfactory financial result in 1990, but it will have to in today's much more competitive environment. Growth back to the previous level is inconceivable.

Computer staff suffered many redundancies during the recession but, even so, it is still not easy to find quality staff as readily as we would like. Many, for one reason or another, are now virtually

unemployable except as independent contractors, often working for short periods only. Too many new entrants from the universities are still given an inadequate preparation for the commercial world, and inquiries about the reasons for this do not produce encouraging responses.

There are also management constraints. This may be a particular problem for service companies, but they now form a large part of the economy. It

may be easy to turn large number of people to productive use when common tasks are involved (for example, simple manufacturing processes), but the skill-oriented tasks upon which the British economy is now so often said to be dependent are a different matter.

Eric Chalker, Chairman, TCS Computer Services, 5-7 Albemarle Road, Beckenham, Kent BR3 2EZ, UK

MP's case against Spanish fishermen is 'sweetened propaganda'

From Mr Ignacio Suarez-Zuloaga

Sir, The letter from Austin Mitchell, MP (April 7), is a sweetened example of the kind of propaganda that the British tabloids have been delivering during the last few weeks: mistakes, unsupported allegations

and insulting comments. Spain has always supported the rule of law in international conflicts, even when a former colony was involved (for example, in the invasion of the Falkland Islands by Argentina).

The unsupported allegations

of misbehaviour by Spanish fishermen that the British tabloids have been publishing - and which Mr Mitchell repeats - have as much credibility as their source none.

Even if the allegations were true, and that would need to be substantiated by credible

sources, no civilised country can support the extension of sovereignty into international waters and the violent capture of a fishing ship.

Ignacio Suarez-Zuloaga, Serrano 111, 28006 Madrid, Spain

Financial future in space

From Mr G.P. Puntun

Sir, Lucy Kellaway's friend (Management: "The wrong time for right-spacing", April 10) who dislikes his right-spaced office might want to launch a scheme that would guarantee him a desk whenever he needed one: Desk futures.

For a small fee he would be able to secure a booking on one of his office's limited number of desks for any date he chooses. As the day nears, he may find he no longer needs

the desk and will be able to sell his booking at a profit.

I am sure that it would need only a simple modification to the Coopers & Lybrand "proactive space booking system" software to include a lucrative desk futures dealing service. It seems such a natural extension of the right-spacing idea that I would put money on it happening - sometime in the future.

G.P. Puntun, 30 Manor Way, Woodmansterne, Banstead, Surrey SM7 3PL, UK

Society and the information age

From Mr Makarand V. Dehejia

Sir, Andrew Adonis is reviewing *Being Digital* ("Plug your mother into the digital galaxy", April 10), may be enchanted by Negroponte's elegance of prose and prophecy. But both he and the author must be faulted on a serious omission - neither talks about a point that Harland Cleveland raised more than a decade ago about the impact that the information age will have on changing our society from one based on a behaviour of

exchanging "atoms" to that of sharing "bits".

Today, when I give you an object you have it and I do not; in the information age, when I give you a "bit" both of us have it. Cleveland enunciated this as a property of information. Negroponte could have usefully expanded the concept to discuss its impact on relationships within a society.

Makarand V. Dehejia, 5411 Surrey Street, Chevy Chase, Maryland 20815, US

CURRENCIES AND MONEY

MARKETS REPORT

Dollar worries

The dollar yesterday showed little response to the widely expected cut in Japan's official discount rate to 1 per cent, writes Philip Gawth.

The market had earlier been disappointed by the economic package announced by the Japanese government to stimulate the flagging recovery.

The dollar came under selling pressure in Tokyo after the package was announced. It received a brief fillip from the Bank of Japan's announcement, but later gave back these gains. The BOJ was seen buying dollars around ¥83.00 towards the close of Tokyo trading.

Mr Michael Feeney of Sumitomo Bank in London said the growth stimulus from the cut in the discount rate would prove insufficient to offset the negative effect of the 17 per cent rise in the yen against the dollar this year.

European markets were mostly closed, and while US

markets were open, trading desks were thinly manned and volumes very modest. At midday in New York the dollar was around ¥83.00, slightly weaker than the level it was trading in Tokyo when the government package was announced.

Against the D-Mark the dollar traded in a narrow range around DM1.39, where it stood at lunchtime in New York.

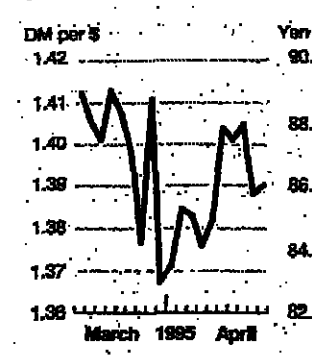
Ahead of the announcement, the dollar had received renewed support from Mr Robert Rubin, the US treasury secretary. He repeated the administration view that a strong dollar was in the US's interest, and that the currency would not be used as a trade tool.

A fresh voice in the discussion was Mr Milton Friedman, the distinguished US economist, who said in New York that the dollar was "grossly under-valued" and the D-Mark "extraordinarily over-valued."

Trading was predictably thin on Thursday ahead of the Easter weekend. Many investors were also content to sit on the sidelines ahead of the Japanese announcement.

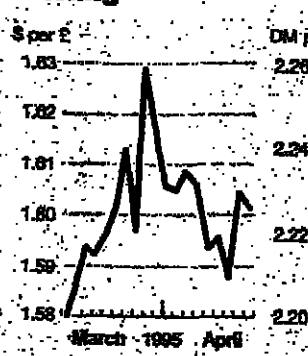
The release of softer than expected US retail sales figures did not help the dollar. Mr Jeremy Hawkins, chief US econ-

Dollar

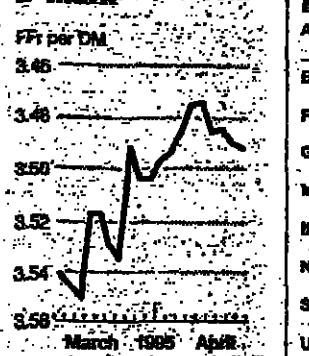


Source: Datastream

Sterling



D-Mark



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Trading was predictably thin on Thursday ahead of the Easter weekend. Many investors were also content to sit on the sidelines ahead of the Japanese announcement.

The release of softer than expected US retail sales figures did not help the dollar. Mr Jeremy Hawkins, chief US econ-

omist at the Bank of America in London, said: "The big US picture for the dollar is that much more bearish for the dollar."

The dollar finished in London at DM1.3892, from DM1.4048. Against the yen it closed at ¥83.55, from ¥84.08.

The retail sales data, following modest inflation numbers earlier in the week, reinforced the view that US short term interest rate are on hold.

Interest rate perceptions have played a part in recent exchange rate moves, the dollar fell when the Fed failed to

raise rates last month, while the D-Mark lost ground when the Bundesbank cut rates.

Mr Malcolm Bain, economist at Chemical Bank in London, said market activity on Thursday had consisted largely of people squaring up their positions, rather than taking new risks.

Ahead of the Japanese announcement there had been widespread pessimism about whether it would have any sort of beneficial impact on the dollar.

Mr Feeney of Sumitomo said: "The market is expecting to be disappointed by the package."

The fall in the dollar helped sterling which finished on Thursday in London at £1.6041, from £1.5884. It finished slightly lower against the D-Mark at DM2.2264, from DM2.2313.

The Bank of England, in its daily operations, provided UK money markets with £190m late assistance, and £130m assistance at established rates, after forecasting a £400m shortage.

POUND SPOT FORWARD AGAINST THE POUND

Apr 14	Closing mid-point	Change on day	Bid/offer spread	Day's high/low	One month %PA	Three months %PA	One year %PA	Bank of England
Europe								
Austria (Dfr)	15.8785	-0.0003	820 - 950	15.7492 15.8220	15.6579 1.6	15.6196 1.5	-	107.8
Belgium (Sfr)	45.8058	-0.0171	371 - 744	45.8640 45.7371	45.7608 1.2	45.6502 1.1	45.1208 0.5	110.3
Denmark (DKr)	8.7548	-0.0088	489 - 627	8.7819 8.7498	8.7825 -1.1	8.7852 -0.5	8.7333 0.2	110.3
Finland (Ffr)	5.8901	-0.0001	516 - 635	5.8910 5.8818	-	-	-	110.7
France (Ffr)	7.7794	-0.0006	721 - 898	7.8063 7.7719	7.7897 -1.6	7.7981 -1.0	7.7491 0.5	116.7
Germany (DM)	2.2282	-0.0002	260 - 304	2.2448 2.2260	2.2254 1.5	2.2217 0.8	2.1787 0.2	113.5
Greece (D)	361.881	-0.26	323 - 139	364.138 361.323	-	-	-	99.0
Ireland (Ir£)	0.9813	-0.0002	804 - 822	0.9828 0.9804	0.9811 0.2	0.9707 0.2	0.9813 0.1	67.2
Italy (L)	27.3312	-0.0001	801 - 642	27.3268 27.2773	27.4387 -4.7	27.6177 -4.2	28.7382 -1.8	64.3
Luxembourg (Lfr)	45.8058	-0.0171	371 - 744	45.8640 45.7371	45.7808 1.2	45.6503 1.1	45.1208 0.5	110.3
Netherlands (Dfl)	2.4946	-0.0018	322 - 395	2.5044 2.4922	2.4914 1.5	2.4854 1.7	2.4417 2.1	110.2
Norway (Nkr)	9.3687	-0.0133	551 - 789	9.3927 9.3584	9.3983 1.2	9.3998 1.2	9.3256 1.4	98.3
Portugal (Pte)	235.561	-0.0001	174 - 448	235.548 234.607	236.396 -4.3	236.186 -4.3	236.186 -4.3	98.6
Spain (Pte)	197.931	-0.0051	347 - 335	198.518 197.327	198.391 -2.8	198.308 -2.8	198.291 -2.7	98.6
Sweden (Skr)	11.8824	-0.0036	791 - 657	11.9227 11.8791	11.8945 -0.2	11.8986 -0.2	11.7188 -0.6	117.2
Switzerland (Sfr)	1.6435	-0.0004	415 - 454	1.6544 1.6398	1.6391 2.9	1.6296 3.0	1.777 3.6	74.0
UK (£)	1.2074	-0.0002	801 - 806	1.2125 1.2061	1.2075 0.0	1.2063 0.4	1.1983 0.8	-
USA (D)	1.017100	-	-	-	-	-	-	87.4
Asia								
Japan (Y)	83.55	-0.0001	820 - 950	83.55	-	-	-	-
South Korea (W)	1.017100	-	-	-	-	-	-	-
Taiwan (N)	1.017100	-	-	-	-	-	-	-
Hong Kong (H)	1.017100	-	-	-	-	-	-	-
India (R)	1.017100	-	-	-	-	-	-	-
Indonesia (R)	1.017100	-	-	-	-	-	-	-
Malaysia (M)	1.017100	-	-	-	-	-	-	-
Philippines (P)	1.017100	-	-	-	-	-	-	-
Singapore (S)	1.017100	-	-	-	-	-	-	-
Thailand (T)	1.017100	-	-	-	-	-	-	-
Vietnam (V)	1.017100	-	-	-	-	-	-	-
Yemen (Y)	1.017100	-	-	-	-	-	-	-
Other (O)	1.017100	-	-	-	-	-	-	-
Americas								
Argentina (Peso)	1.4042	-0.0011	531 - 653	1.6131 1.6031	-	-	-	-
Brazil (R\$)	1.8957	-0.0001	514 - 580	1.4605 1.4514	-	-	-	-
Canada (C\$)	2.1937	-0.0121	915 - 969	2.2097 2.1915	2.1973 -2.0	2.2027 -1.7	2.2085 -0.7	62.1
Mexico (New Peso)	10.0909	-0.0095	445 - 373	10.1373 10.0445	-	-	-	-
USA (S\$)	1.6030	-0.0011	620 - 640	1.6120 1.6020	1.6026 0.1	1.6016 0.3	1.5919 0.7	78.6
South/Middle East								
Australia (A\$)	2.1642	-0.0045	699 - 624	2.1894 2.1599	2.1669 -1.5	2.1713 -1.3	2.1909 -1.2	79.0
Hong Kong (H\$)	12.3956	-0.0080	875 - 014	12.4846 12.3607	12.3682 0.1	12.2971 0.0	12.2903 0.1	-
Japan (¥)	50.5251	-0.0039	227 - 016	50.5930 50.2227	-	-	-	-
South Korea (W\$)	4.7426	-0.0037	447 - 471	4.7701 4.7447	-	-	-	-
Taiwan (N\$)	133.562	-0.47	393 - 326	136.430 133.349	132.982 5.1	131.842 5.2	125.732 5.9	171.7
Japan (¥)	3.3514	-0.0098	449 - 579	3.9752 3.3599	-	-	-	-
New Zealand (NZ\$)	2.2865	-0.0003	804 - 905	2.3905 2.2804	2.2914 -2.9	2.4009 -2.5	2.4162 -1.3	98.3
South Africa (R\$)	41.8534	-0.0001	104 - 104	41.8440 41.8272	-	-	-	-
Australia (A\$)	6.0120	-0.0039	800 - 150	6.0456 6.0300	-	-	-	-
Singapore (S\$)	2.2968	-0.0003	732 - 400	2.2456 2.2732	-	-	-	-
South Africa (R\$)	5.7768	-0.0009	712 - 824	5.6129 5.7222	-	-	-	-
South Korea (W\$)	1283.43	-0.24	359 - 65	1242.37 1285.58	-	-	-	-
Taiwan (N\$)	40.8388	-0.0142	043 - 734	40.8488 40.8071	-	-	-	-
Thailand (T\$)	39.3517	-0.0178	971 - 253	39.5750 39.2943	-	-	-	-

Source: Reuters. Data as of Apr 13. Bid/offer spread in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted by Reuters but are implied from the forward discount. Starting index values are the last of the last day. Data as of Apr 13. Bid/offer spread in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted by Reuters but are implied from the forward discount. Starting index values are the last of the last day. Data as of Apr 13. Bid/offer spread in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted by Reuters but are implied from the forward discount. Starting index values are the last of the last day. Data as of Apr 13. Bid/offer spread in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted by Reuters but are implied from the forward discount. Starting index values are the last of the last day. 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CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 14	BF	DKr	FFr	DM	£	L	FI	Nkr	Sfr	Y	Yen	Y	Yen
Belgium	(Bfr)	100	18.11	16.98	4.854	2.141	5986	5.446	21.76	514.1	432.0	25.52	4.025
Denmark	(DKr)	52.32	10	8.885	2.545	1.121	3122	2.850	11.38	288.0	228.0	13.35	2.106
France	(FFr)	58.89	11.25	10	2.664	1.261	3513	3.507	12.81	302.7	254.4	15.03	2.370
Germany	(DM)	24.54	3.90	3.491	1	0.440	1227	1.120	4.473	105.7	88.57	5.247	0.828
Ireland	(Ir£)	46.70	8.925	7.930	2.271	1	2718	10.16	24.01	201.7	11.82	1.880	0.119
Italy	(L)	1.678	0.320	0.285	0.032	0.036	100	0.001	0.035	8.617	7.241	0.428	0.057
Netherlands	(Dfl)	18.36	3.529	3.118	0.853	0.353	1095	3.394	94.39	75.32	4.885	0.739	0.401
Norway	(Nkr)	46.57	8.735	7.896	2.236	0.984	2742	2.504	10	226.3	196.8	11.73	1.852
Portugal	(Pte)	19.45	3.718	3.303	0.946	0.417	1181	1.059	4.232	100	84.03	4.964	0.783
Spain	(Pte)	23.15	4.424	3.901	1.126	0.486	1381	1.261	5.903	119.0	100	5.907	0.932
Sweden	(Skr)	38.19	7.489	6.864	1.906	0.838	2338	2.134	8.526	201.5	168.3	10	1.577
Switzerland	(Sfr)	24.54	3.90	3.491	1	0.440	1227	1.120	4.473	105.7	88.57	5.247	0.828
UK	(£)	45.81	8.735	7.779	2.238	0.981	2733	2.495	9.966	235.5	197.9	11.89	1.844
Canada	(C\$)	20.88	3.990	3.548	1.015	0.447	1248	1.137	4.542	107.3	90.20	5.328	0.840
US	(D)	28.58	5.482	4.833	1.390	0.612	1705	1.556	6.217	146.9	123.5	7.283	1.180
Japan	(Y)	34.31	6.558	5.827	1.629	0.736	2047	1.860	7.485	176.4	145.2	8.757	1.381
Other	(O)	37.95	7.254	6.445	1.846	0.813	2264	2.067	6.257	165.1	140.4	9.685	1.528

D-MARK FUTURES (MM) DM 125,000 per DM

Jun	Open	Sett	Change	High	Low	Est. vol	Open int.
Jun	0.7161	0.7222	-0.0062	0.7236	0.7141	38,569	54,653
Sep	0.7200	0.7251	-0.0051	0.7255	0.7200	82	2,493
Dec	-	-	-0.0060	0.7280	0.7269	9	384

SWISS FRANC FUTURES (MM) Sfr 125,000 per Sfr

Jun	Open	Sett	Change	High	Low	Est. vol	Open int.
Jun	0.8723	0.8780	-0.0057	0.8770	0.8677	12,194	27,287
Sep	0.8751	0.8800	-0.0049	0.8800	0.8740	85	2,421
Dec	-	-	-0.0051	0.8884	0.8795	19	220

LONDON MONEY RATES

Apr 13	Overnight	7 days	1 month	3 months	6 months	1 year
Interbank Sterling	7.4%	5%	5%	5%	5%	5%
Bank Bill	7.4%	5%	5%	5%	5%	5%
Local authority bills	6%	5%	5%	5%	5%	5%
Discount Market bills	6%	5%	5%	5%	5%	5%

UK clearing bank base lending rate 7% per cent from February 2, 1995.
 Certs of the dep. over £100,000
 6m, 12m, 18m, 24m, 36m, 48m, 60m, 72m, 84m, 96m, 108m, 120m, 132m, 144m, 156m, 168m, 180m, 192m, 204m, 216m, 228m, 240m, 252m, 264m, 276m, 288m, 300m, 312m, 324m, 336m, 348m, 360m, 372m, 384m, 396m, 408m, 420m, 432m, 444m, 456m, 468m, 480m, 492m, 504m, 516m, 528m, 540m, 552m, 564m, 576m, 588m, 600m, 612m, 624m, 636m, 648m, 660m, 672m, 684m, 696m, 708m, 720m, 732m, 744m, 756m, 768m, 780m, 792m, 804m, 816m, 828m, 840m, 852m, 864m, 876m, 888m, 900m, 912m, 924m, 936m, 948m, 960m, 972m, 984m, 996m, 1000m.

JAPANESE YEN FUTURES (MM) Yen 12.5m per Yen 100

Jun	Open	Sett	Change	High	Low	Est. vol	Open int.
Jun	1.2940	1.2104	-0.0836	1.2104	1.2023	14,551	52,038
Sep	1.2185	1.2251	-0.0066	1.2252	1.2185	248	3,158
Dec	1.2262	1.2403	-0.0141	1.2403	1.2360	348	650

STERLING FUTURES (MM) £25,000 per £

Jun	Open	Sett	Change	High	Low	Est. vol	Open int.
Jun	1.6004	1.6072	-0.0148	1.6100	1.5904	5,382	22,549
Sep	1.6006	1.6048	-0.0148	1.6050	1.5980	29	240
Dec	-	-	-0.0148	1.6040	-	1	82

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Jun	Open	Sett	Change	High	Low	Est. vol	Open int.
Jun	92.46	92.50	-0.04	92.51	92.44	10,517	71,084
Sep	92.18	92.16	-0.02	92.18	92.12	5424	54,551
Dec	91.84	91.87	-0.04	91.90	91.82	1,231	34,853

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Jun	Open	Sett	Change	High	Low	Est. vol	Open int.
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Sep	92.18	92.16	-0.02	92.18	92.12	5424	54,551
Dec	91.84	91.87	-0.04	91.90	91.82	1,231	34,853

SHORT STERLING FUTURES (LFFE) £500,000 points of 100%

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Sep	92.18	92.16	-0.02	92.18	92.12	5424	54,551
Dec	91.84	91.87	-0.04	91.90	91.82	1,231	34,853

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THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Jun	Open	Sett	Change	High	Low
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S&S Br	1,700	—	1,800

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W Deep	124.50	...	18
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PACIFIC		JAPAN (Apr 14 / Yrs)	
Atlanta	1,000	30	1,200
Boston	1,000	30	1,200
Chicago	250	15	300
Denver	250	15	300
Los Angeles	250	15	300
Minneapolis	250	15	300
New York	250	15	300
San Francisco	250	15	300
Seattle	250	15	300
Wash. D.C.	250	15	300
Portland	250	15	300
San Jose	250	15	300
San Diego	250	15	300
Phoenix	250	15	300
Las Vegas	250	15	300
Albuquerque	250	15	300
San Antonio	250	15	300
Fort Worth	250	15	300
Dallas	250	15	300
Houston	250	15	300
Memphis	250	15	300
Indianapolis	250	15	300
Columbus	250	15	300
Philadelphia	250	15	300
Pittsburgh	250	15	300
Cleveland	250	15	300
Richmond	250	15	300
San Jose	250	15	300
San Diego	250	15	300
Phoenix	250	15	300
Las Vegas	250	15	300
Albuquerque	250	15	300
San Antonio	250	15	300
Fort Worth	250	15	300
Dallas	250	15	300
Houston	250	15	300
Memphis	250	15	300
Indianapolis	250	15	300
Columbus	250	15	300
Philadelphia	250	15	300
Pittsburgh	250	15	300
Cleveland	250	15	300
Richmond	250	15	300
San Jose	250	15	300
San Diego	250	15	300
Phoenix	250	15	300
Las Vegas	250	15	300
Albuquerque	250	15	300
San Antonio	250	15	300
Fort Worth	250	15	300
Dallas	250	15	300
Houston	250	15	300
Memphis	250	15	300
Indianapolis	250	15	300
Columbus	250	15	300
Philadelphia	250	15	300
Pittsburgh	250	15	300
Cleveland	250	15	300
Richmond	250	15	300
San Jose	250	15	300
San Diego	250	15	300
Phoenix	250	15	300
Las Vegas	250	15	300
Albuquerque	250	15	300
San Antonio	250	15	300
Fort Worth	250	15	300
Dallas	250	15	300
Houston	250	15	300
Memphis	250	15	300
Indianapolis	250	15	300
Columbus	250	15	300
Philadelphia	250	15	300
Pittsburgh	250	15	300
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Richmond	250	15	300
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Las Vegas	250	15	300
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Indianapolis	250	15	300
Columbus	250	15	300
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France	480	-12	857	448		Switzerland	2,580	-10	3,830	2,750	
Germany	2,410	-	3,250	2,030		Taiwan	1,050	-50	1,630	1,430	0.7
Greece	753	+23	944	717	0.3	Thailand	928	+0	1,150	987	
Italy	842	+7	838	816		Turkey	1,160	+30	1,210	980	

Canon	1,370	-20	1,710	1,320	--	--	S&W	1,010	-30	1,160	950	--	--
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1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

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For information contact Sally Beynon on 0171 873 3815 or Fax on 0171 873 4610

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL			INVESTMENT COMPANIES - Cont.			OIL EXPLORATION & PRODUCTION - Cont.			PROPERTY			RETAILERS, GENERAL - Cont.			TRANSPORT - Cont.		
Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price
Accumulated	100	100	Accumulated	100	100	Accumulated	100	100	Accumulated	100	100	Accumulated	100	100	Accumulated	100	100
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OTHER INVESTMENT TRUSTS			LIFE ASSURANCE			MEDIA			OTHER FINANCIAL			SUPPORT SERVICES			WATER		
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INVESTMENT COMPANIES			OIL EXPLORATION & PRODUCTION			PHARMACEUTICALS			RETAILERS, FOOD			TOBACCO			TRANSPORT		
Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price	Approved by the FT	Share	Price
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OTHER INVESTMENT TRUSTS			RETAILERS, GENERAL			PAPER, PACKAGING & PRINTING			TEXTILES & APPAREL			TELECOMMUNICATIONS			SOUTH AFRICANS		
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INVESTMENT COMPANIES			RETAILERS, GENERAL			PAPER, PACKAGING & PRINTING			TEXTILES & APPAREL			TELECOMMUNICATIONS			SOUTH AFRICANS		
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GUIDE TO LONDON SHARE SERVICE

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Reforms make engineering plant exception to the rule

In Russia's blighted industrial landscape, the vast heavy-engineering plant of Uralmash is a hopeful exception to the rule. The most damning criticism of Russia's halting move to a market economy is that reforms have failed to put effective new owners in charge of the country's factories, thereby allowing old directors to give full rein to the inefficient management practices of the Soviet era and to indulge in corruption.

But at Uralmash, known as "the factory of Russian factories" because its workshops have produced the machinery which runs much of Russia's heavy industry, effective reforms are beginning to take hold. A private investor with a clear corporate vision has acquired a controlling stake in the factory and supported Uralmash's dynamic young manager, whose radical policies are beginning to turn the enterprise around.

Inside the factory buildings which sprawl across 1000 acres, tidy workshops are piled high with neatly labelled crates of the finished products destined for export the next day.

At a time when work stoppages have become commonplace throughout the country, at Uralmash, located in Yekaterinburg, in the Urals, heavy lathes are grinding away even during the factory's official three-day weekend. While many other Russian factories remain weighed down by the heavy burden of providing social services to their workers, Uralmash has begun to transfer

A Russian factory is being turned around by radical policies, reports Christia Freeland from Moscow

these responsibilities to the local government.

Uralmash's owners and managers are optimistic that, after three years of steep decline, the factory will, this year, see a modest upturn in production. The plant, which was privatised in 1993, has prospered because, even under Communism, it was one of the country's best-run enterprises. It has also been cushioned from the recession in the domestic economy by unusually strong exports which totalled 19 per cent of turnover last year.

However, credit also should go to Mr Viktor Korovin, the 42-year-old director of Uralmash, who has forced through drastic changes, including cutting the workforce from 35,000 in 1992 to 19,000, and closing Spetsstekhnika, a loss-making defence equipment affiliate. Even Mr Boris Yeltsin, the Russian president, has given Uralmash his stamp of approval.

Mr Korovin was one of eight of "Russia's most successful industrialists" invited for an audience at the Kremlin last month.

Mr Korovin believes that if the government succeeds in bringing down inflation, Uralmash's output will grow this year by 5-8 per cent, compared with a fall of 44 per cent in 1994. Mr Kasha Bendukidze, one of the five partners in Bioprotects, the company

which has bought a controlling 27 per cent stake in Uralmash, predicts the enterprise will, within three or four years, boast an annual turnover of \$1bn.

But commercial success has not shielded Uralmash from the grass-roots political opposition which compounds the enormous task facing every Russian factory trying to adapt to the market. The most recent, and potentially most serious, threat is a legal attempt, led by the regional state prosecutor, to overturn the privatisation of Uralmash.

The technical grounds for challenging the privatisation of Uralmash centre on the inclusion of Spetsstekhnika, which made gun turrets. The local prosecutor argues that privatisation of defence plants requires special federal government permission.

The regional legislature is awash with unsigned pamphlets denouncing the "criminal" privatisation. Leaflets warn that "today the only competitive sector of the Russian economy, our national pride, the defence sector, is on the brink of collapse... catastrophe awaits us."

Mr Bendukidze, whose company stands to take a substantial loss if the privatisation of Ural-

mash is overturned, warns: "This case could be the end of all privatisation in Russia and could bring an end to both domestic and foreign investment in Russian industry."

Mr Korovin adds: "Most people would still like to live as we did yesterday, under the old regime, and many local politicians are trying to take advantage of this sentiment." Even his own workers, who approved his appointment as director in 1992, initially resisted his restructuring programme.

But Mr Korovin said: "When other Russian factories began to have work stoppages and six months' delays in paying their wages, my workers began to decide that maybe their director was not so crazy after all."

But beyond these economic benefits, Mr Korovin, an avid student of Russian history, is one of the rare Russian industrialists convinced that reforms have brought invaluable social and political gains, including the end of a "repressive regime".

It is this message, Mr Korovin says, which he tries to bring to his workers as they struggle to adjust to the harsh new economic realities which have hit Russia in the wake of the collapse of communism.

The future of Uralmash, and of Russia, depend to a great extent on whether people like Mr Korovin will prove more persuasive than the local politicians campaigning for a roll-back of privatisation and the short-term suffering it has brought.

UN eases Iraqi oil exports embargo

By Robert Corzine in London and Michael Littlejohns at the UN in New York

The United Nations Security Council yesterday eased its embargo on Iraqi oil exports in a move which traders believe could unsettle oil markets next week.

The Security Council agreed unanimously to allow Iraq to resume oil exports of up to \$2bn over six months, mainly to pay for food, drugs and other humanitarian supplies for the civilian population.

Iraq rejected the council's terms for a similar easing of the embargo in 1991, arguing that these conditions infringed upon

its sovereignty. It was not known last night whether Baghdad would accept the revised offer, which included an affirmation of respect for Iraqi sovereignty and territorial integrity.

In a written statement after the vote, Mr Tariq Aziz, Iraq's deputy prime minister, denounced what he termed a public relations campaign by the US and a "deliberate effort to jeopardise the prospects for lifting the whole of economic sanctions". But a US spokesman noted that Mr Aziz did not reject the council's offer.

Analysts say the prospect of even limited quantities of Iraqi oil re-entering the international market could undermine the

month-long rally which has taken the price of the benchmark Brent Blend up by about \$2 a barrel since mid-March.

At one point on Wednesday, the Brent price for May was within three cents of the psychologically-important level of \$19 a barrel.

But reports that Iraq was warning to the latest UN plan caused the price to fall to around \$18 on Thursday, the last day of trading before the Easter holiday.

Until the UN began discussing the possibility of limited Iraqi oil sales, some traders had wondered whether the strong performance of oil markets over the past month pointed to the end of the

prolonged price weakness which began in the autumn of 1993.

Analysts are divided on the issue and the prospects for regular supplies of Iraqi oil remain uncertain. The finding this week by Mr Rolf Ekeus, UN special envoy, that Baghdad has failed to account for materials which could be used in building biological weapons could have ended chances of an early end to the oil export embargo.

Mr Mohammed Abduljabbar, an economist with the Petroleum Finance Company in Washington, said this may be why Iraq is willing to consider a one-off sale, in spite of repeated rejections of such suggestions in the past.

Bank of Japan cuts rate

Continued from Page 1

March 1998. It proposes unspecified measures to encourage banks to wipe out bad debts, believed to be a constraint on new credit, within five years. There will also be soft loans, again unspecified, for small businesses and farmers who have lost out to cheaper foreign competition because of the yen's high value.

Negotiation of the package over the past week has intensified divisions within the coalition

of conservatives and socialists.

At one stage, the Liberal Democratic party, the dominant coalition member, proposed numerical targets for a reduction in Japan's huge trade surplus, despite the bureaucracy fighting US pressure for such targets for the past two years.

In the end, the finance ministry managed to persuade the LDP to drop such targets.

Japanese business lobbies gave the package a politely lukewarm welcome.

IBM and Digital rivalry

Continued from Page 1

per minute that can be handled by a computer and are audited by the Independent Transaction Processing Performance Council. IBM says that Digital has yet to submit its new computers for testing, so the comparisons it has made are unfair.

Mr Willmott said the TPC benchmarks were the "only legitimate measure" of performance. He notes, however, that IBM has also failed to submit its main-

frame computers to TPC tests.

The Digital Alpha servers challenge IBM's core mainframe business which has contributed to the company's return to profitability in 1994 after it lost \$16bn in the previous three years.

Yet the success of the new Alpha servers is also critical for Digital. Struggling to regain its momentum after four years of heavy losses, Digital has spent hundreds of millions of dollars on developing chips and built new plants to produce them.

THE LEX COLUMN

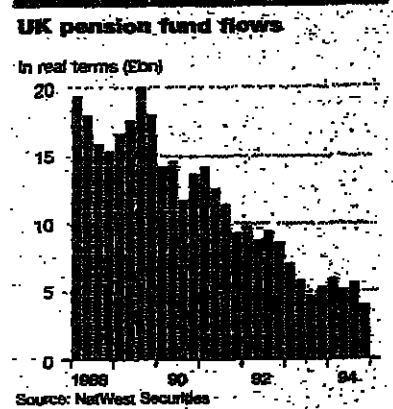
Chrysler's cash conundrum

Raising the finance for Mr Kirk Kerkorian's putative bid for Chrysler will be costly and complicated: he and his partners need equity capital of at least \$3bn plus a minimum \$1bn of new debt. This is a lot of money but the reluctance of a European or Japanese manufacturer to step forward to provide the equity does not scupper the proposal: there is little doubt a deal can be financed.

A deal at \$55 a share is feasible for three reasons. First, the valuation is modest, at some 5½ times expected earnings for the current year. Second, most of the \$7.3bn cash currently on the balance sheet can be used to pay down new debt. Third, the group generated \$5.7bn in cash last year, a figure that is set to rise substantially, if Chrysler were left to its own devices, would accumulate, according to analysts' estimates there would be \$16bn cash on the balance sheet by the end of 1997, notwithstanding existing plans to step up capital investment and mount modest share buy-backs.

Under Mr Kerkorian's scheme of things, the group's cashflows would be used to pay off the extra interest charges incurred by the bid, say \$1bn a year. This is easily affordable. The question for Mr Kerkorian to answer, is whether it would leave the group seriously weakened as the downturn gathers momentum. As yesterday's US industrial production figures showed, the peak of the cycle may have been passed. On the other hand, Chrysler's management must prove it is not being too conservative in husbanding its resources for the slump. Its defence is likely to involve discharging more cash to shareholders, but not so much as to wreck the business.

FT-SE Eurotrack 200:
1391.0 (+2.3)



can be financed comfortably. Granada's net debt should amount to £300m by its October year end, only marginally higher than last year. In fact, the group retains substantial fire-power, given cash generative businesses and the £450m value of its stake in BSkyB. Sadly, opportunities for investment in television are limited by government regulation. But Granada is likely to form up to 20 per cent of a consortium bidding for the UK's forthcoming Channel 5 franchise. Purchases in contract catering in Europe and the US are also likely.

The shares are trading on a double digit price-earnings premium to the market but - after extracting the unprofitable BSkyB stake - the rating is close to the market average. Given its strong cash flow and management, the shares should continue to perform.

Granada

LWT was always going to be a hard act for Granada to follow, in terms of both drama and profitability. However, Pavilion, which owns nine motorway service centres, looks a sensible if unexciting successor. And shareholders should be relieved to see Granada sticking to its guns, when it goes out spending its prodigious cash flow. Granada already operates 27 service centres, which achieved a £33m profit last year. It can boost Pavilion's performance through joint buying and reduced management costs. In addition, the £125m price looks reasonable even for a mixed bag of sites, considering the £20m to £30m cost of building a site from scratch. Earnings will be enhanced immediately, and the deal

Laura Ashley

In its bid to boost profits, Laura Ashley's management is willing to sacrifice turnover for the sake of cutting costs. It has little option, given its negative cash flow. The company's latest rationalisation programme is expected to add £10m to profits in the next two years. But cost savings alone will not be enough to set the company back on its feet.

By clearing out its weaker product lines such as food and stationary, the management should be able to boost profit margins further from last year's paltry 1.3 per cent. But the company's problems run deeper. Sales growth in home furnishings is outstripping Laura Ashley's larger business in garments. Continental Europe, where 55 per cent of sales are in furnishings

compared with 40 per cent in the UK, is outperforming both North America and the UK. The company's aim is to replicate the continental European sales split in the UK. It may need to consider an even more radical shift, as its garments brand is looking rather faded. The company claims it has moved on from floral prints, but without the budget to update its image through advertising, consumer perception will be slow to change.

There should be a profitable niche market for Laura Ashley, which still has a loyal band of followers. Shareholders, particularly the Ashley family, have so far been loyal too. But they have not received a meaningful dividend since 1989, and the danger is that their patience will run out before the company finds its niche.

UK markets

The UK equity market is arguably looking attractive on more than one count: valuations are reasonable by historic standards and strong dividend growth suggests a succulent yield of 5 per cent looking forwards next year. But one important technical factor is far less encouraging: the level of cash invested in the stock market and other asset classes.

Recent figures show institutional cash flow dwindled alarmingly in the fourth quarter last year. The total was a modest £7.7bn, compared with an average of £12bn each quarter in the previous two years. The fall in unit trust cash-flow was marked - from £2.3bn in the third quarter to £0.8bn - but not as dramatic as that from pension funds. This was just £200m in the last three months of 1994, a sixth of its level in the previous quarter. Pension funds' cash flow for the whole of last year was only £4bn, against £5.1bn in 1993 and \$5bn the year before. This looks frankly low, as funds should soon start to benefit from the ending of companies' contribution holidays. But the fall in cash flow from investment trusts was also pronounced.

Institutional investment is likely to fall further this year, but the liquidity implications for the market are not as bleak as they may seem. There is the one-off benefit of £6.2bn from the Glaxo/Wellcome takeover, the proceeds of which will largely leak back into equities. Companies have more cash on their balance sheets than at any time since late 1970s, and like last year, a significant slice of this will find its way into the stock market via special dividends and share buy-backs.

FT WEATHER GUIDE

Europe today

Sweden, Finland, the Lowlands and northern France will have cloud and rain as a depression along with a westerly front crosses north-western Europe. Britain, too, will have cloud and showers. Temperatures will fall in all these regions as cool air is drawn in by a north-westerly wind.

Southern France and Spain will be very sunny and dry. In parts of southern Spain, temperatures will rise above 25C.

Low pressure over central Europe will produce cloud and rain in Austria, the Czech Republic, and Hungary.

Southern Italy will have outbreaks of rain, while Greece will have only a few showers. Most of Turkey will be sunny and dry.

Five-day forecast

Western Europe will be cloudy with showers. Temperatures will fall below seasonal levels as cooler air flows from the north. On Easter Sunday, it will be cloudy most of the time, with only glimpses of sunshine.

Rain will persist over southern Italy, with conditions improving during the week. Low pressure will linger over central Europe resulting in rather unsettled conditions. Spain, Corsica and northern Africa will be very sunny.

Warm front Cold front Wind speed in KPH

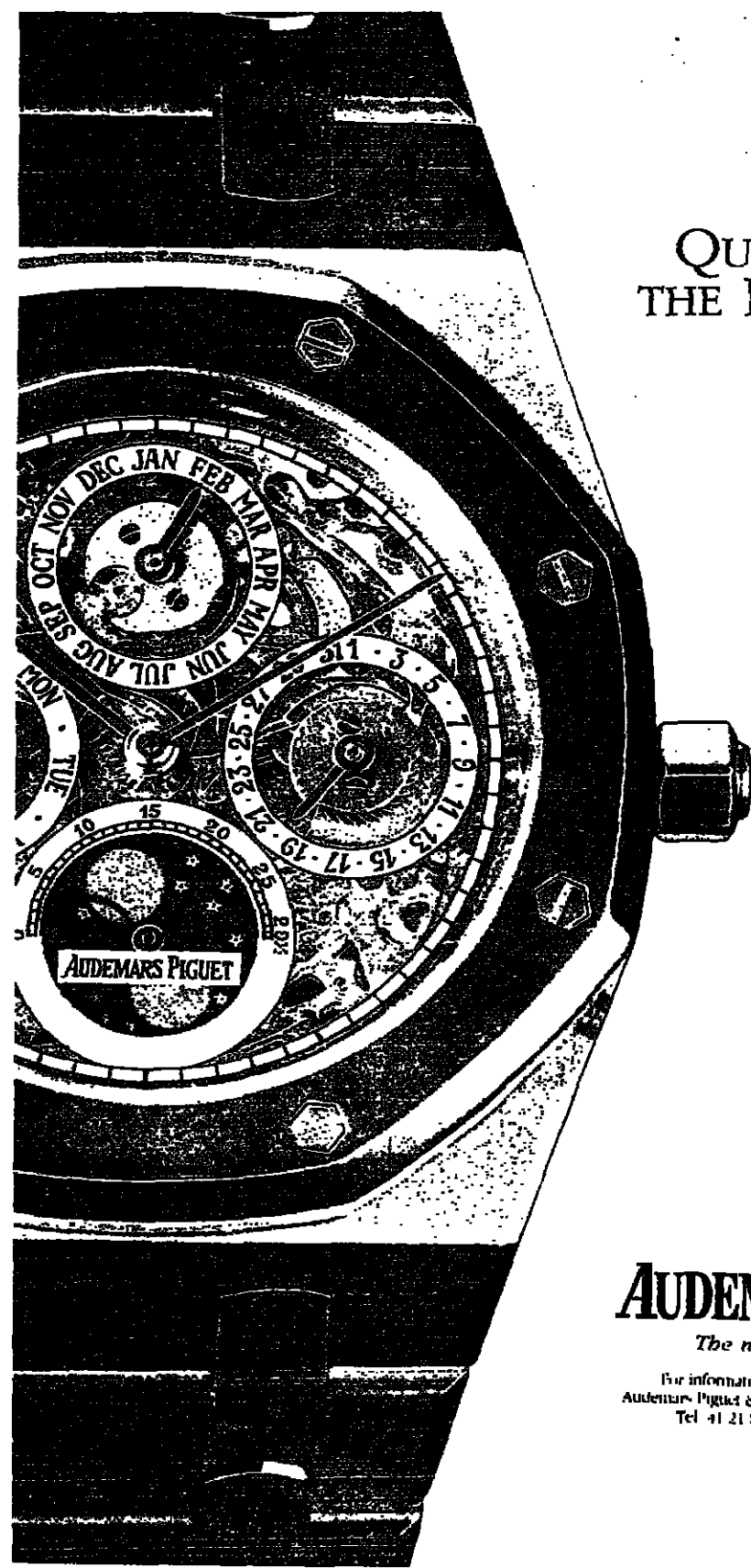
Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Location	Max	Min	Weather
Abu Dhabi	30	20	sun
Accra	30	20	sun
Algiers	15	10	showers
Amsterdam	11	8	drizzle
Athens	18	12	sun
Atlanta	27	22	drizzle
B. Aires	21	11	showers
B. Ham	13	8	cloudy
Bangkok	36	26	sun
Barcelona	17	12	sun
Casablanca	20	12	sun
Chicago	15	10	rain
Cologne	12	8	rain
Dakar	26	20	sun
Dallas	32	22	sun
Dar es Salaam	32	22	sun
Dubai	31	21	sun
Dublin	11	8	cloudy
Dubrovnik	30	20	sun
Edinburgh	18	12	rain
Faro	22	12	sun
Frankfurt	15	10	showers
Geneva	15	10	showers
Glasgow	12	8	cloudy
Hamburg	11	8	showers
Helsinki	10	5	showers
Hong Kong	25	18	sun
Honolulu	29	24	sun
Iskenderli	31	21	sun
Jakarta	32	22	sun
Jersey	12	8	drizzle
Karachi	34	24	cloudy
Kuwait	28	18	rain
L. Angeles	18	12	sun
Las Palmas	23	18	sun
Lima	27	17	sun
Lisbon	24	14	sun
London	13	8	drizzle
Luxembourg	13	8	cloudy
Lyon	16	11	sun
Madrid	21	11	sun
Manila	30	20	sun
Medina	33	23	sun
Mexico City	30	20	sun
Miami	25	18	sun
Milan	29	19	sun
Montreal	15	10	showers
Moscow	32	22	sun
Munich	12	8	drizzle
Nairobi	34	24	cloudy
Naples	18	12	sun
Nassau	23	18	sun
New York	27	17	sun
Nico	27	17	sun
Nicosia	24	14	sun
Oaxaca	13	8	drizzle
Paris	13	8	drizzle
Perth	16	11	sun
Prague	21	11	sun
Rangoon	32	22	sun
Reykjavik	10	5	cloudy
Rio	17	12	sun
Rome	12	8	drizzle
S. Francisco	14	9	showers
Sao Paulo	24	14	sun
Singapore	32	22	sun
Stockholm	10	5	sun
Sydney	21	16	drizzle
Taipei	29	19	sun
Tel Aviv	25	15	sun
Tokyo	17	12	sun
Toronto	14	9	sun
Vancouver	11	6	sun
Venice	13	8	showers
Vienna	17	12	showers
Warsaw	12	7	cloudy
Washington	17	12	sun
Wellington	15	10	sun
Winnipeg	16	11	sun
Zurich	10	5	cloudy

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صكنا من الامم

Weekend FT



The city's growing wealth goes to businessmen, politicians, and criminals. Escaping from the slums is like scaling Everest, says Nicholas Woodworth

Down and out in high-rise Bombay

Hiranagar Pagar was sitting in the middle of the teeming human ant hill that is Dharavi, a slum in north Bombay said to be the largest in Asia. There was not much to these offices: a table, benches, a telephone, a tin roof overhead.

Shed does not refer to the construction itself. It is an acronym for the Society for Human and Environmental Development, a social welfare organisation which looks after the Untouchables who are still at the bottom of India's social pile.

Pagar is 41, a slight, bearded figure with a barely perceptible limp and an energetic walk. Mahatma Gandhi, rejecting the term Untouchable, would have called him a Harijan, a child of God. Pagar, in turn, has rejected that concept as fatalistic, and calls himself a Dalit, a proud, almost defiant term the outcasts of India have chosen for themselves.

There is a good deal more defiance, as well as pathos, in his story. He began his working life as a child, cleaning floors and tables in eating houses, like the small, bare-foot, rag-wielding children still seen today as they crouch beneath the feet of Bombay's rich diners.

For in Bombay, the gap between rich and poor is as pronounced as anywhere in the world. The growing wealth of the city falls largely into the hands of a small minority - an elite of businessmen, politicians, socialites and the bosses of organised crime.

About 7m people, over half of Bombay's total population of 12.5m, are slum dwellers living in roadside encampments of jute sackings, the one room shacks of long defunct cotton mills. But in the high-rises and neo-gothic Victoriana of the business district the poor make do with no shelter at all. Sleeping human bundles block the pavements, invisible to the early morning commuters who walk around and over them.

Pagar came to Dharavi in 1970, prepared to put up with its conditions for the sake of finding work. He lived in the same tin shack, airless in the hot season, flooded in the rains, without water, electricity, or sewage, for the next 16 years.

At the same time he moved he began studying on his own, and his reading encouraged him to join the Dalit Panthers, a militant organisation modelled on the Black Panther movement in America.

In 1974, by now better educated, he joined the maintenance staff of a Bombay bank. Politically active during India's Emergency period under Indira Gandhi, he was arrested in 1975 and jailed for 18 months for writing poetry that criticised government censorship measures.

In prison he was badly beaten and his health suffered. On release, disillusioned by growing internal power struggles in the Panther movement, he rejoined the bank, continued to study in his spare time, and by 1989 had earned himself a bachelor's degree. Today he is a clerk in that same bank, a modest enough attainment in some situations, but an Everest of achievement for a Dharavi slum dweller.

Pagar was sitting cross-legged on the floor eating masala chicken, chapatis and yoghurt with his hands. With his and his wife's salary - she works for an Untouchables aid organisation - he has been able to build a more substantial house on the site of his old tin shack.

He is intensely proud of it. It is a tiny, two-floor building, 18ft long by 10ft wide, and immaculately clean. It has electricity, a telephone, piped water, a fridge, a television, even a washing machine. Although there are two rooms upstairs, Pagar, his wife, and two teenage children all sleep in one crowded little room, bed touching bed, leaving the room next door empty.

"It's habit," Pagar said, shrugging. "It is the way we grew up. It is the way everyone in Dharavi grows up." So used to unrelieved human presence, to noise, to close contact with family and community are Bombay's slum dwellers, in fact, that those who leave for less crowded accommodation elsewhere sometimes suffer depression.

For more than a century Dharavi has been growing, piecemeal and unplanned, on low-lying, swampy land rejected as unsuitable for any kind of development. Residents have no proprietary rights to the land. But Bombay's munic-

ipal government, recognising the political expediency of surfacing slum dwellers on to pavements already crowded with the homeless, has granted Dharavi the status of an "official" slum, and its inhabitants tenurial right to their homes. It has also undertaken to provide them with urban amenities and services.

They are, to put it mildly, of the most rudimentary sort. There are other houses here, those belonging to families climbing Dharavi's social ladder, that are as substantial as Pagar's. But most are one room constructions of corrugated iron. The drainage system lies above-ground, collecting the waste water that flows from each house in a foul-smelling

in, the vast majority of children in Dharavi develop TB, pharmacist M.A. Ansari explained in the Sadik Medical Stores. Not all parents have the money for treatment. Dharavi's slum, and its inhabitants' tenurial right to their homes. It has also undertaken to provide them with urban amenities and services.

Despite the difficulties and pressures, a great deal of co-ordinated energy goes into making Dharavi work. Some of it is hard-driving productive energy, the kind needed to keep the slum's leather works, rag-picking, and rubbish separation trades going.

Another kind is the energetic good will essential for social harmony in this hard-pressed community. Ali Usman, one of Pagar's friends, is a Moslem shopkeeper who, after having his shop burned in the 1993 Hindu-Moslem riots - more than 100 were killed in Dharavi - today works for better communal relations.

In the tiny office of M.Y. Shinde, Dalit municipal councillor for Dharavi's Ward 86, the largest object in the room is a flower-garlanded portrait of Dr Ambedkar, the Dalit who rose through political ranks to help frame the constitution of India. More than just an inspiration to Dalits today, he is a semi-divinity.

Leather workers, barbers, sweepers, beggars, street entertainers with their monkeys have for 30 centuries been battling against their ritual uncleanness for education, employment and a little respect. Some, like Pagar, have succeeded; others, weaker, compliant, less forceful, have not.

The Bombay rich are striving too. The city is also the hub of a vigorous Indian middle-class economy. Only a few years ago the street hoardings erected over Bombay's roadside slums advertised the "suitings and shirtings" of India's vast, old-fashioned textile industry. The slum-dwellers are still there, but now a whole new generation of Indian-made goods is being

Slum dwellers are so used to unrelieved human contact that those who leave can suffer depression

network of open ditches. Health hazards are further increased by the water mains supplying the communal stand-pipes. Corroded and porous, the vacuum that is created inside these pipes during the daily cuts in supply sucks in surrounding moisture and waste water. There was no need for Pagar to point out Dharavi's latrines - children simply defecate in the general surroundings, while adults must queue for up to two hours to use them.

Pagar indicated a scummy line on the side of a building. "In the rainy season the water rises between two and four feet. Much of Dharavi turns into a flood lake. That is why many houses here, single storied, have a shallow loft close to the roof where people can live and sleep."

With no clean areas to play

Continued on Page II

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NEXT WEEK
Travel special: Getting lost in Italy

Joe Rogaly

Thank God for the Pope

Why atheists should welcome spiritual and moral leadership



This is the weekend to put in a kind word for the Pope. He is doing an impossible job better than most of us could, given his circumstances. No, I do not speak as a Roman Catholic. Do I look like a Catholic? Come on! Whatever we may be, from atheist to Hindu, we would do well to offer expressions of gratitude and peace to the head of the Vatican.

We should recognise that if John Paul II does not speak up for the sanctity of life, and the importance of the spiritual dimension, there are not many others who will. That is why we could do worse than look seriously at his latest encyclical, *Evangelium Vitae* - The Gospel of Life. Anyhow, it could be his last. He is getting on. So what does he say? That the church has been right all along. Right about contraception, right about abortion, right about euthanasia, right about in-vitro fertilisation, right about embryo research. On a first reading, "right" means one thing. He - the church - is agin them all.

Don't run off. Pay attention. Roman Catholicism's latest line is more subtle than that. You cannot get away with muttering curses about the most reactionary Pope since whoever. Sure, John Paul II does not condone contraception, but then neither does he

dwell on it. The subject is not of the essence of his argument in this encyclical, which is about what happens between conception and death. As to abortion, yes he condemns it utterly, but he also expresses understanding that in many instances it is the woman who suffers the most. You can read into his words the possibility that there are terminations and terminations, and that one offender might be infinitely more culpable than another.

This is in accordance with the expressed opinions of moderate pro-life campaigners as well as sensible proponents of the woman's right to choose. Those who make the choice for what the Pope would call death are not always content with the result. An abortion of convenience, carried out when young, can harm a woman for the rest of her days. Against that, who can say where convenience ends and necessity begins?

I tried looking it up. In *Life Itself* - *Abortion in the American Mind*, Roger Rosenblatt, a pro-choice writer, reviews attitudes to the foreshortening of pregnancies from primitive times to the present.

The quickest flick-through suggests that human societies have always been in two minds about whether or not the unborn baby is a sentient being. It is possible that all of

us are susceptible to both pro-choice and pro-life arguments at the same time. Either way, life begins at some point. When? You have to be cold, de-spiritualised, and wholly materialistic to believe that all terminations can simply be shrugged off. Some carry great justification; some none. All are, or should be, occasions of disquiet.

Euthanasia is a different

The Vatican is offering moral absolutes in an age in which nothing is absolute

matter. The Pope accepts the practice of not striving to keep alive elderly patients in terminal agonies. He allows for painkillers, which may or may not have a lethal effect. The hospice movement is approved. He is totally opposed to the Dutch practice, as shown on British TV, of deliberately bringing life to an end. On this issue, I suspect he captures what most of us would say, if only we were to think for a moment.

In the above instances the Vatican is doing what it is paid to do. It is offering moral

absolutes in an age in which there is no agreed morality and nothing is absolute. It is speaking for humanity against the dangers posed by science, hedonism, and the market.

It calls for a way of life that asserts "the primacy of being over having, of the person over things". It does this nicely, better in reading its 194 pages than in any summary. What a pity that there is some slight equivocation on capital punishment. At least the Pope's letter opposes it save where "it would not be possible otherwise to defend society". Such cases, he writes, are "very rare if not practically non-existent". This is a sad cop-out from a man unafraid to resist doctrinal compromises in other areas.

Yet the encyclical's accusatory phrase, an excellent and doubtless conscious, soundbite is "the cult of death". It could have been addressed to the US. The Pope agrees with American fundamentalists on abortion, but not on capital punishment, with which some on the other side of the water seem to have fallen in love.

Newt Gingrich's conservative Republicans want to save the lives of all babies, but are content to leave their mothers, if poor or single, to starve. The Catholic bishops of the US have pointed out the flaw in this argument. Perhaps they were influenced by the refer-

ences to social solidarity in an earlier encyclical, *Centesimus Annus*. The stance of that papal letter is, roughly speaking, that of a European Christian Democrat.

Since then our Polish pontiff has turned radical. In *Centesimus Annus* the Pope is at the extreme centre, uncompromisingly anti-communist but wary of purist economic liberalism. *Evangelium Vitae* calls for something close to civil disobedience in countries whose laws authorise abortion or euthanasia. This is dangerous territory. Did we not read the other day that fanatical pro-lifers in the US murdered a doctor outside an abortion clinic? John Paul II is naturally opposed to such behaviour, but there needs to be clarity between the role of the church and that of the state.

To me the answer is quite simple. The law should permit contraception, abortion, in-vitro fertilisation, and possibly embryo research - but not euthanasia, which you can never be sure is voluntary, or capital punishment. The Pope may then address the consciences of those who look to him for inspiration, and any others who may listen. We cannot return to state-imposed Christianity, but religion, moral guidance, spiritual leadership should be welcomed in a world in which alienation tortures us so persistently.

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MINDING YOUR OWN BUSINESS

A sell-out – but cashflow chaos

Clive Fewins meets a publisher of guide books

When Tim Stilwell formed his one-man directory publishing business in June 1983, he opted immediately to become a limited company.

"I wanted to be regarded as respectable and credible," he said. "Many of the bed and breakfast establishments that I would be dealing with have a lot of fly-by-night people trying to sell them advertising. I wanted them to see they were dealing with a reputable, VAT-registered company."

Stilwell did not realise when he registered the company on June 30 that he would have to undertake the expensive and time-consuming task of producing accounts for the six months to the end of 1993. "If I had started the business one day later I would not have had to present my accounts until the end of 1994," he said.

A further blow came after those figures showed a loss of £28,000 over the first six months. "The loss was entirely expected – in fact quite in line with my business plan. But the figures finished up on a large business database and had an immediate effect on my credit rating. Very soon I found the Royal Mail had rescinded my credit," said Stilwell.

In spite of all this, 21 months later, Stilwell, 34, thinks he made the right decision. "I am not a natural gambler," he said. "All my life I had been surrounded by institutions: Bedales school, New College Oxford and the Emap publishing group. When it came to breaking out and going it alone I wanted to make things as secure as I could."

He also wanted to be sure that if his enterprise failed, the house he was planning to buy would not count as a liability. Stilwell believes the approach will pay off in the long term. "Five years down the line, another publisher may be interested in some areas of my business. To be a

'The loss was expected. But the figures finished up on a database and had an effect on my credit rating'

limited company makes it much easier to part with assets," Stilwell said. "I want it to be possible for other business interests to see immediately that Stilwell Publishing Ltd is sound."

Stilwell has reason for optimism. The print-run for his first directory, *Britain: Bed and Breakfast 1994*, was 7,500 copies – 2,500 more than his projected break even point – and was sold out by May 1994. His second publication, *Stilwell's National Trail Companion 1995*, came out last October and has sold 3,500 of its 5,000 print run. The 1995 version of the bed and breakfast guide, now confidently renamed *Stilwell's Bed and Breakfast 1995*, was found in most big bookshops and sales are going well. The main guide sells at £9.95, lists more than 8,500 B&Bs and claims to have more than twice as many addresses in three times the number of locations as its nearest rival.

"I wanted to produce a guide that covered England, Scotland and Wales, that was logical in its format, that contained good maps, sold at under £10 and listed several thousand B&Bs under £25 – and I have succeeded," Stilwell said.

Nevertheless, he is asking his bank to advance him another £12,000 long term in addition to the £20,000 he borrowed at the outset. He has just negotiated another £5,000 loan over three months to carry him over a tricky period. "My borrowing is not enough

to fund the growth in turnover I am achieving, which is causing me cash-flow nightmares," Stilwell said. "All the activity is from June to November when the main advertising sales take place and all the cash from sales comes in. The problem is eking it out over the rest of the year."

The figures for the second year, which ended in December, are expected to show a turnover of £100,000 and a £4,000 loss. "Provided I have the capital base, the third year should show a £14,000 profit on a turnover that should be between £150,000 to £200,000," he said.

The main reason for the loss in the second year was that the business had outgrown Stilwell's council flat. When he and his wife Rosemarie bought their first house in Stoke Newington last autumn, Stilwell moved the business to a 700 sq ft £28,000-a-year suite in a former warehouse in Shoreditch.

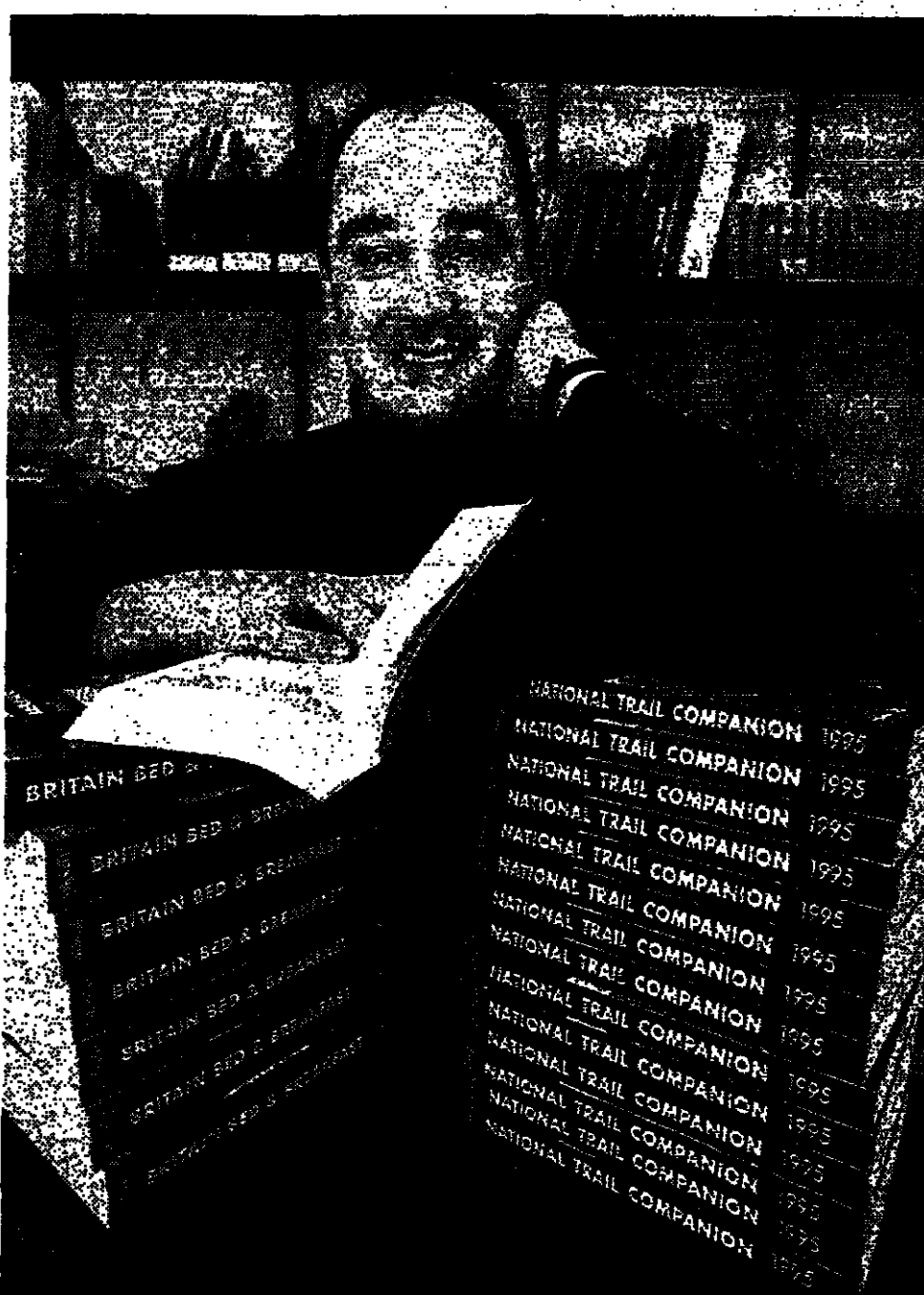
The cause of the recent trip back to the bank was mainly the emergence of the *National Trail Companion*. "I cancelled for the trail companion in March and April last year in order to fill a cash flow gap – to bring in some money from advertisers in the months before the main revenue from sales of advertising started flowing in," Stilwell said.

"However, this year I have decided to cancel both the directories together from June to November, so I am currently cash-starved."

Stilwell's loans are 70 per cent covered by the government's Small Firms Guarantee Scheme, so, together with the limited liability of his company status, he feels he has done everything possible to secure his position.

To liaise on a day-to-day basis with the bank and do all his marketing, Stilwell employs a Ken-based book distribution service.

"Together with their sales agent, they take 27 per cent of all copy sales," Stilwell said. "I see an average of £3.50 per



Tim Stilwell set out to create a logical guide with good maps for under £10

book, but of course by no means all of this is profit."

Stilwell deals directly with his printer in Guernsey and is responsible for all the origination of the guides himself. Although he is the sole employee, he shares his office with Nigel Simpson, an old friend from his 10 years in magazine publishing with Emap. Simpson runs his own design service from the same address and does all the design and maps for Stilwell's guides.

Most of the 9,000 addresses for Stilwell's first B&B guide came from tourist information

centres. "Nearly all the establishments have been inspected, but not necessarily with a view to gaining any sort of rating," Stilwell said.

Most of the entries in the Stilwell directories are free; the venture is financed by the cover price. However, there is scope in the main guide for 1,000 advertisements priced at £39.95 each. These take the form of boxes in which the advertiser has 25 words to describe the establishment.

Stilwell is working on a telephone service in which he plans to research B&B

addresses for clients using the Internet. He is considering employing a part-timer to help staff a B&B phone line in the summer. This would use a premium price phone line, the profits split between BT and Stilwell. A third project involves a register of private holiday cottages, but on this Stilwell is reticent. "I have looked at it, costed it and it looks good," he said. "That is all I am saying."

Stilwell Publishing, The Courtyard, 59 Charlotte Road, London EC2A 3QT. 0171-739 7172.

Three Years On

Spice trader eager to sell

In the 23 months since *Fox's Spices* was featured in this column, Mike Pester, its owner, has increased turnover by 20 per cent, bought, and moved to a 15,000 sq ft new headquarters in Stratford-on-Avon, and taken to wearing a suit to work.

"Sometimes I have to pinch myself. For the first time in 23 years I have a smart office to myself. I feel I owe it to the company to wear a smart suit, together with collar and tie," said the former biscuit salesman for the now-defunct Cavendish Foods.

Pester, 51, is busily expanding his company so that a larger organisation can, as he puts it, "take it under its belt". After buying the loss-making *Fox's Spices* for £200,000 nearly 30 years ago, he has turned it into an enterprise with a turnover of £1.2m that competes with the big names by selling direct and by mail order at prices it claims average half that of its competitors.

But it has been at a cost. For 23 years, Pester has been on the show circuit, selling direct to customers who return to the same show year after year.

Frequently, as at two big London exhibitions last month, there is an overlap, and Pester and his 30-strong team have to divide themselves between their base and two simultaneous events. For Pester, who attends all the shows, this frequently means a 70-hour, seven-day week. He took his first holiday for six years – four days in Normandy – last December.

Now he feels time is running out. It was in order to make the company a saleable proposition that Pester undertook the move from *Fox's* cramped base for 16 years, the former village garage at the Warwickshire village of Wilnott. He bought the new headquarters, previously a printing works, for £250,000 and spent £100,000 equipping it. All this was achieved out of profits. The old building is still on the

market at £185,000, which has meant an overdraft for the first time. "Currently it sits at £25,000. That frightens me," Pester said.

If there is a moral to all this it is that years of hard work pay off. Pester and his wife and co-director Fay can look forward to a well-earned retirement and their son, Andrew, 23, who is production director, can, he hopes, anticipate staying at the helm under a new regime.

There is, however, a further lesson. The move took place eight months later than planned, and it took a further six months before Pester was able to achieve his ambition of many years – to produce his own range of wet mixes. These comprise a range of milder, less spicy, fresh herbs and spices, not 14 Indonesian sambals and sauces, all of which had previously been imported.

"It has all been worthwhile. We have improved both quality and profitability by producing our own wet mixes, but I completely underestimated the timescale," he said.

"My advice to anyone undertaking a similar move would be to add at least half as much time again to the planned programme and negotiate a contract with your bankers, preferably including penalty clauses."

"Do not let builders deal with health and safety officials, planners, or building regulations officers. Do it yourself."

Pester feels he has an attractive proposition for sale, with a modern plant, 280 lines and an established brand name.

"The mail order side could be developed very profitably by a larger organisation – we have neither the time nor the finance to get involved in large-scale advertising and direct mail," Pester said. "But for me – it's time to take my life off again."

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Clive Fewins

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FINANCIAL TIMES



Bombay mbs: the middle class seems to be pursuing its enrichment oblivious of a larger community

Bombay's slums

Continued from Page 1

hawked above their heads: personal computers, mobile telephones and cable TV services – the new toys and toys of Indian affluence.

Bombay is trying to sell the world an even newer idea: its own "globalisation" in the world of international finance. The city's business community seems to have lost no time in gearing up for what it hopes will be an explosion of financial activity.

On the 25th floor of the Bombay Stock Exchange sits Arvind Kolhatkar, the exchange's executive director, high above the trading pit where more than 2,000 brokers and traders do battle each day. A fast-talking, energetic man, his view of Bombay was wholly upbeat and optimistic.

"Bombay is the sunrise city of the 21st century," he said. "The creative energies of this city have been held back too long."

However, Bombay's planned globalisation is unlikely to affect more than 15 to 20 per cent of the population. "I am afraid there are simply not the resources to provide housing," Kolhatkar said. He then added: "These slum-dwellers are not really down-trodden. They come for work, and they get it. In fact, the gap between rich and poor is not very large – a

house, a television, furniture – that is all. And we are operating under a new credo now: if you have the capacity you should be able to reap the rewards."

Bombay's middle class seems to be pursuing its own enrichment perfectly oblivious of a larger community. Anywhere else, such blatant disregard

The audience screeched with laughter to see what they refused to see in real life

would have led to revolution. Nasser Mungee, a supporter of urban reform, said globalisation was a nonsense. The first task was to create a civil society. "Systems of governance have collapsed. There is no long-term vision, no single body in control of strategy," he said. The problem was cynicism in a city long dedicated to individual profit.

Shao Korda, a school superintendent in the Dharavi slum, agreed. "We grow so selfish when we become wealthy," he said, in his spartan home. "We lose all sense of community. We come home and we lock the

door: we say 'I want my car. I want my house. I want...'. We are losing our humanity, our social sense in the process."

Born and raised in the slums, he criticised society for perpetuating the caste system, the government for fostering corruption, but also the slum dwellers themselves for enjoying those in power to do everything for them.

But he would not live anywhere else. "An aid agency architect once asked me what would be my ideal house," he recalled with a smile. "I said I wanted it self-contained, with a toilet inside, a tap inside, all modern conveniences at hand. He was pleased. Then I said that through the middle of it I would like a right-of-way so that I could share this wonderful thing with everyone."

On Malabar Hill, the posh residence of Bombay's wealthiest citizens, there was a screening at the Hanging Gardens of 15 short films by well-known film-makers. Towards the end of the evening there was a film of the Bombay poor defecating in the streets, on the beaches, by the railway lines, as they do every day, because there is nowhere else. The audience screeched with nervous laughter to see what they refused to see in real life. Poverty had been turned into a novel and daring artistic subject.

السيد من المصطفى

PERSPECTIVES

The Graceland of Gregorian chant

Tom Burns visits the chart-topping monks of Silos and finds that what today is sold as "something different" has been unchanged for centuries

Rocks and ravens circled above the narrow road that snaked through the valley to Santo Domingo de Silos in the wilds of northern Spain. As the evening sun turned the wind-whipped rocks of the sierra's Yecia gorge into surreal shapes, it was both easy and comforting to make terrible jokes.

Silos is not just a Benedictine abbey; it is a Memphis of a monastery, the Graceland of Gregorian chant. The monks of Silos - the pop stars of plainsong - have sold close to 6m records, tapes and CDs worldwide; their headquarters, which also double as their recording studios, lay somewhere beyond the next bend, hidden among the darkening bracken and pine trees.

But it turned out to be rather different from how I imagined. Don Clemente, the abbot, was no King of the Canticle. Slim and boyish, he appeared at supper, an apron over his black cowl, pushing a trolley along the refectory and delivering trays of broth, of vegetables and of yoghurts to each table.

"I had never seen an abbot take his turn to serve at table before," said a globe-trotting fellow blackfriar from Scotland, who had been preaching at Silos.

I had never before spent a weekend in an abbey and was wondering what the buyers of the Silos recordings - 3m in the US alone and most in the 18-25 age bracket - would make of the monks who had produced such oddly top-selling sounds from within the monastery's walls.

And how, for that matter, had Gregorian chant ebbed and flowed into the musical styles, from Seattle grunge and Karajan adagios, to spend four weeks in the UK's Top 10 album chart and stay in the classical listings for 18 weeks last year.

I heard the monks sing at vespers, again after the silent evening meal, and at compline. But what, could explain the impact of these carefully controlled voices, chanting back and forth to each other as they worked their way through the psalms when heard far from Silos in a Walkman in the subway or as piped muzak in a night club?

The monks are just a novelty, something different,



The Benedictine abbey of Silos: no glittering lights, no studios, not even a record shop

that's the stock answer," said Rafael Pérez Arroyo who, as head of classical records at EMI-Odeon, the Spanish branch of EMI in Madrid, was responsible for launching the choir of Silos monks on to an unsuspecting world in 1993. "Any explanation beyond that becomes very metaphysical."

Those who follow the valley to reach Silos, where the monastery hovers above the houses with their low-slung tiled roofs, folding the village to itself as a hen does to its chicks, will not find any hype; there are no glittering lights, no studios, not even a record shop. Dom Clemente and his 30 or so monks, who live without newspapers, radio and television, are out of bounds for the fans although they give regular live performances in the monastery's church.

"Tonight, the church will no doubt be packed hours before the start of the long Easter vigil and the solemn midnight mass. It was crammed on the Sunday morning in late January that I was there. A cold,

thick mist from the Matavejas river that runs by the abbey clung round the village and the monastery itself looked like a ship at sea, the tall cypress that stands in its cloister rising like a mast.

Dom Clemente is the captain of the ship - in a recent article he likened society to a storm-tossed vessel - and he sets a course for himself and his community of monks according to rules, pointers and markings laid down by St Benedict in the 6th century when he founded the order's first monastery at Montecassino, south of Rome.

At Silos's incredibly beautiful two-tier cloister, built in the late 11th century, Dom Clemente talked with an expert's appreciation of the lions, the dragons and the other beasts carved into the capitals of the columns, and of the interlacing patterns with hints of Celtic knotwork here, and statements of dazzling Moorish craftsmanship there.

The stunning stone carvings at the corners of the cloister make no-nonsense theological



To the music world, 'the monks are just a novelty, something different'

points. There is one which brings together, in the same *bas relief*, the Good Friday laying of Christ in the tomb and the Easter Sunday resurrection.

A consequence of a communal life that is split up, day in and day out, into appointed times for prayer, for study, for

bought and listened to their music.

"They know that losing time is the best way of making the most of their time. They renounce living out their time, their space and their knowledge for they know these are mere chattels that come and go, that are taken and consumed with neither sorrow nor glory."

Dom Clemente, like those who live with him - semi-hermits who come together to eat in a spartan refectory and to worship in choir stalls - has the emotional and intellectual equipment that makes otherworldliness as natural as breathing. His reasoning, with its talk of the "other", has the hypnotic and therapeutic effect of the Gregorian chant's measured, repetitive intonations.

It seemed quite out of place to ask him how much cash the Silos community has made out of its choir and, in any case, I already knew the answer: the multi-million sales have earned the monastery next to nothing. The Silos copyright - some of

the recordings were made 20 years ago and several of those members are still in the choir - was bought for pin money by a small Spanish record company subsequently acquired by EMI.

I sensed that Dom Clemente, who has permitted a video to be made of the community but has, for the time being, ruled out any further recordings, does not really care as far as he and the abbey are concerned. Money would nevertheless be welcome: it could help finance the restoration - by local first-job seekers - of a ruined Franciscan priory on the outskirts of Silos. Dom Clemente wants to turn it into a new guest house that would double up as a religious retreat centre and he also wants to fund monastic institutions in the former Soviet Union.

Apparently safe in the knowledge that the abbey's radical rejection of earthly needs precludes lawsuits and court cases, EMI's executives duck questions about the Silos royalties. "Better talk to the lawyers

about that," Pérez Arroyo suggested breezily - knowing perfectly well that the legal department was impossible to pin down.

A sceptical outsider seeking to understand the sudden appeal of Gregorian chant may find some hints in what Dom Clemente called the "solid bases" that help avoid "the dark tunnel of pessimism and disillusion, tedium and depression". Certainly, the exposure to the Benedictine order's aesthetic hospitality (St Benedict included the duty to shelter strangers in his rules) melts any temptation to mock monasticism.

For one thing, places such as Silos survive, as do the values they stand for, and their resilience is impressive. The abbey's earliest buildings date from the beginning of the 11th century when the Benedictine abbot of San Millán de la Cogolla, exiled by a furious local king for refusing to hand over the monastery's treasures, founded a new one on the southern side of the sierra among the Yecia caves that had been home to holy men since Christianity's arrival in Spain almost 1,000 years earlier.

The new monastery nourished the Word in more than one sense, for it was at Silos that Spanish as it is spoken was first recognisably written. One of its monks, whose Latin must have been rusty, scribbled a series of explanatory notes in the vernacular along the margins of a 13th century manuscript that is now the property of the British Library and which, two weeks ago, was loaned to Silos for an exhibition.

Gutted more than once in feudal skirmishes and in Spain's long-running Moorish-Christian wars, Silos was closed in the 1890s when the Madrid government confiscated monastic lands. It was re-opened 50 years later by French monks who had themselves been expelled from the great Benedictine abbeys of Solsmes and Ligeux.

It seems clear that Dom Clemente and his monks derive extraordinary strength from their linear tradition. Silos's plainsong may be sold as "something different" by the record business but it is as unchanged as the monastery's cloister. In stressful times, part of its "novelty" may lie precisely in its permanence.

No sex, lies or killing

Jocasta Shakespeare visits a Buddhist retreat in the Scottish lowlands

There is a corner of Scotland that is forever a foreign field in the valley of the river. Back, the golden dragons adorning a glittering Tibetan temple roar in the wind. This is Samye Ling, a Buddhist community which for 30 years has astounded local hill farmers.

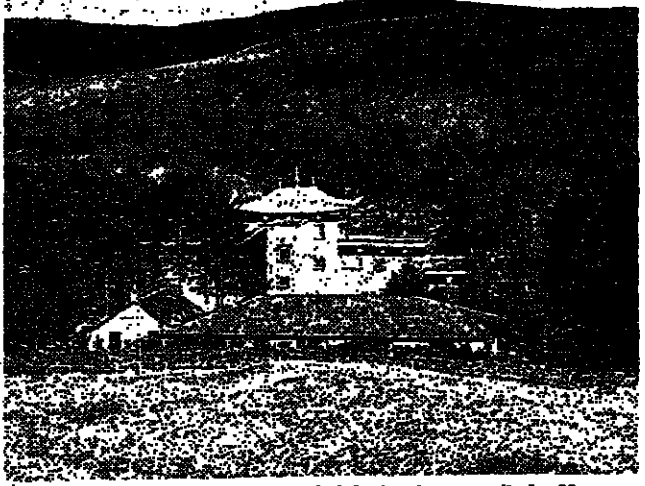
The journey from Lockerbie takes you over wild and barren moorlands to the compound. Once past the red, blue and yellow prayer flags at the stone gates, you enter another world. White peacocks saunter through a water garden where elder ducks and rescued battery hens sit under stone shrines supporting marble Buddhas. At night, wind chimes and the hunting calls of owls mingle with the bronze gong that calls the community to evening prayers.

Then, inside the Temple, two huge drums beat and small bells resonate, punctuated by the chanting of urban escapees. For as well as *Sangha* Tibetan and European monks (disciples), are visitors from all over Europe for a holiday for the mind and the body.

On the polished oak floor, seated on a crimson cushion, in the gaze of a golden Buddha while a Tibetan yak herder clings his cymbals, you could be forgiven for believing yourself in another country. But the gaudy wall paintings of deities in blissful sexual union are reminders that this religious community is newly planted in the Scottish lowlands.

Samye Ling was started in the 1960s, headed by Chogyam Trungpa, a heavy-drinking practitioner of "crazy wisdom" - which means a daring that defies convention.

One lay resident says: "Trungpa was unorthodox. The crazy wisdom tradition means breaking the conceptual mould and having no restraints." Now, the centre is headed by Lama Yeshe, 49, a Tibetan Master of Dream Yoga and a monk who encourages his followers to take five vows: no sex, lying, intoxicants, stealing or killing. It appears that Samye Ling's hippy days are over. Yet rumours of pregnant nuns and frolicking monks still circulate



The Samye Ling temple has astounded the local community for 30 years

like Chinese whispers across the moors and among the stony villages. And there is one surprising novelties: the former caretaker of the Samye Ling refuge on Holy Island, off Mull. Alex has shaved off his wild wavy hair and swapped his jeans for monk's robes. "He had a scandal," explains a resident.

It emerges that Alex became known as the "Bongking Buddhist" after an affair with a visitor to Holy Island became public gossip. Following this, Lama Yeshe offered him the "choice" of becoming a monk for life. It seems a little severe, but Jiga (Alex says his Tibetan name means "he who makes others happy") appears to be content with the deal.

The Tibetan Lamas appear content too. They live in a hazy "conference centre" in the grounds, reportedly with the grounds, television, video, stereo and steak-filled fridges. (The Buddhist Masters are said to be so well trained that they can cope with such worldly distractions.) Compare this with the austere wooden huts of the *Sangha* who, when the shared television used to work, were charged 25 to watch it and who are forbidden meat and music. The average visitor, although given a comfortable room, must survive on a diet of vegetarian food and Buddhist

principles such as impermanence and non-attachment. For those wary of such philosophies, a few days of getting up at 5 am to hear prayers, followed by porridge and cream hand-milked from Silver Buttercup (resident cows fed on vegetarian leftovers), can be enough. For those who cannot take any more, there is the pub, two miles away.

At weekends, the only other distraction is the café which sells herb teas and chocolate chip cookies. The Irish members of the community stand nostalgically at the bar ordering mugs of Horlicks in loud voices as if they were ordering pints of Guinness.

There can be few places where you might mix with such a curious bunch of people. In the dining room at lunchtime, you might find Thom, a Vietnam veteran who ran a chain of jeans shops, or David, a North London doctor, sitting next to two blonde German jetsetters. There might be Ani Lhamo (who was a software analyst in Glasgow before she became a nun for life) and Stefan, a former East German border guard.

The Buddhism practised here stretches back over 2,500 years of reincarnations to ancient Tibet. And today in Scotland, an odd alliance has developed. In the library, the books of

Suetonius sit next to those of Anthony de Mello, military Buddhist history next to tantric sexual method. In the armchair next to me sits a young street-wise monk whose Tibetan name means "intelligence".

He says spiritual desire can mislead followers: some crave spirituality in the same way as others desire material goods. In both cases, Buddhism teaches detachment from the ego. "But everyone here is looking for something," he said.

Mutual understanding is what the two 25-year-old lovers who are taking a year out as a monk and nun are looking for. They decided to shave their heads and take the five vows; he is now called Karma Norbu (Precious Jewel) and she Jinpa (Generosity). Karma says: "We thought it would be good for our relationship."

"This way, you can't be distracted by a cuddle and you're dealing with the other person as they really are. You get to know each other in a way that wouldn't otherwise be possible."

There are another 40 monks and nuns in retreat - household for three years of segregated Buddhist practice - at a cost of £7,000 each per year, in a white house half a mile away.

One ex-nun who went into retreat at the age of 23 and came out last year at 27, says: "It's great. Before I became a nun, I couldn't handle my emotions. Now I'm more relaxed. I'm happier now and more free."

Pedron, 28, fell in love just before she became a nun and says retreat is "a lesson in non-attachment. Love is about enjoying people for who they are, rather than what you want from them."

Indeed, I left feeling lighter than on arrival and my mind had cleared. I felt ready for battle and, in fact, recharged.



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FOOD AND DRINK / HOW TO SPEND IT

Stars rise in London – yet Paris still shines

The Michelin man has blessed Britain, writes Giles MacDonogh

A trio of three-star restaurants in London? Four if you include the Water-side inn in nearby Bray. What is the world coming to? England has overtaken Italy and achieved parity with Germany. The French still lead with 20 three-star restaurants, five of them in Paris.

For years, champions of the British restaurant revival (if that is the *mot juste*) have whined that the Guide is too hard on British places and too lenient with the French. The latter is certainly untrue. In recent years Michelin has been culling stars with abandon. Grenoble, an important city, has lost all it had; the Champagne region had about eight. Now it has four.

All the more reason then to see London's elevation as a three star city as revolutionary. When you take some of the new one-stars into account it even begins to look slightly rash: Fulham Road and Aubergine have only been open a year; you used to hang around for ages for this signal honour.

So, are the British catching up with the French? In February I ate in 16 Michelin-starred restaurants in Paris while preparing the FT's Eating Out in Paris Guide. Last year I ate in nine of London's for the London Guide. After the relative buoyancy of London's restaurant scene the morosity of Paris comes as a surprise. The place is deeply blighted by the recession. Paris is nonetheless Paris.

It is quite inconceivable that people will stay in even if they are broke. François Simon, the restaurant critic of the *Figaro*, reminded me that Paris is still governed by fashion. Parisians go out to show off, to see and be seen. Apart from a small number of smart boulevard cafés, fashionable restaurants are the best places to flaunt what you have.

Tim Johnston is a Scot who has lived in Paris for 15 years and runs the lively *Juveniles* wine bar near the Palais Royal. He says Parisians still go out as much, but they eat the cheaper menus of which there is a wide choice these days. He cites particular bargains such as the FFR390 menu at Alain Passard's two-star, *Arpège*. People go out less in the evening. They entertain at lunchtime when it is cheaper.

The recession has also changed the nature of food in the capital. Simon points out that a young chef will seek to demonstrate that he can execute a perfect dish of tripe

rather than creating something ostentatious involving kilos of truffles or caviar. But I saw no shortage of either on the menus of the top tables.

A certain classicism is making a comeback. Alain Senderens at Lucas Carton used to be famous as the man who wanted to lay away the cobwebs from the old cuisine bourgeoisie. But the Lucas Carton was serving that great classic of the cuisine lyonnaise, the *poularde demi-deuil* (the pullet is half in mourning because it is black with truffles). A rare treat, and one which deserves to be at FFR700 a portion.

More realistic are the young chefs opening their first restaurants. They offer menus at FFR150 or FFR200 and settle in a cheaper part of Paris. When the reigning pentarchy changes, Alain Passard might well gain his third star. He says quality was not greatly affected by the recession, rather the reverse. "Chefs have had more time to spend on individual dishes," he says.

Alain and Nicole Dutournier have two Michelin-starred restaurants: the *Trou Gascon* and the *Carré des Feuillants*. Dutournier's *Carré* is often mentioned as a possible elevation to three stars, although he denies that the FFR3.5m he spent on the place recently has anything to do with a bid for immortality.

He admits that the one-star *Trou Gascon* was hurt by the economic crisis, possibly because it is in a part of Paris rarely visited by tourists or foreign businessmen. But the *Carré des Feuillants* has ridden the storm and even increased its profits. He adds that this may be because it is the cheapest two-star in Paris.

Only at the very top are the restaurants really full. Jean-Claude Vrinat, owner of the three-starred *Tailleurvent*, says there has never been a problem filling the tables. At the fabulous *Robuchon* you still wait months for a table. The situation is not helped by the fact that Robuchon has reiterated his threat to retire at the end of the year.

Novelty is also dear to Parisians. Vrinat has just reopened the old *Promier Traktir* for its Japanese owners after five years in mothballs. It was and is one of Paris's loveliest fish restaurants and since December it has been full.

Some say there has been a decline in standards over the past decade. "God yes," says Tim Johnston. "Chefs change as often as ski instructors, they never stop running



off to another country and leaving you in the lurch."

Cheap formula restaurants are another depressing feature of the city. Bogus bistros of the *Batifol* sort are not new; there have been dozens of attempts at the genre. What is sad, says Johnston, is that while the good places suffer, the *Hippopotamuses* are full of people lured in by offers of all the steak tartare you can eat for under FFR100.

Ten years ago, Paris had many more Burgundian and Lyonnais bistros. These have dwindled to a handful. It heralds the disappearance of the small family business which used to be one of the charms of France: the father in the kitchen, the mother and children out at the front.

However, the catering colleges are still churning out highly motivated young people keen to show their mettle.

Big changes could take place at the top. Robuchon might go, so too might Vivarais. Alain Senderens of Lucas Carton is more and more in the country looking after his vines in Cahors. He leaves the day-to-day running of the restaurant to Bertrand Guénérion whose name has already joined Senderens' on the menu. There is no reason to assume that quality has suffered.

Restaurants of this type, says Simon, are both highly expensive and highly inaccessible. The "challengers" (he uses

the English word) go in for the simple, wholesome food of the south. He cites two restaurants he thinks the most exciting at the moment: *La Timonerie* and *La Table d'Anvers*.

Another question which obsesses Parisians is whether the younger generation are being taught to appreciate great food.

Many restaurateurs are heartened by the interest the young are taking in wine and the raw materials of cooking, but it is clear that they have learned less from their mothers and grandmothers.

Quite often, ordinary people come in with their children to celebrate the passing of an exam (the father with the daughter, the mother with the son): "It is the children who choose to come here," says Alain Dutournier.

Most agree that the problem generation are the '60ers. Johnston calls them "the smokers", people who think an evening out is taking the children to the *Champs Elysées* for a "Maddo". Nor is he entirely sanguine about the revival of interest in wine. Sales are not what they were. Most French women drink nothing stronger than mineral water. Restaurateurs speak with a certain sadness about the end of the good old days when people came into lunch for the sheer joy of eating. It was not done to discuss business until the brandy snifter was on the table. Not

much brandy is drunk now.

Nevertheless, there is plenty of good food around. Of all the restaurants I went to only one, the two star *Le Divellec*, was a disappointment. I found the food fussy and uninspired.

Simon is notorious for the cries of "so what?" which pepper his reviews, but he admits that Robuchon is still as good as ever. It has a lot to do with what Passard calls the *feu sacré* ("sacred madness" perhaps): chefs at this level really do consider themselves creative artists. Inspiration does not go cold just because the economic horizons have clouded over.

And how trustworthy is the Michelin Guide anyway? Dutournier mentioned a recent television programme where an inspector said that perhaps only 15 of the top tables deserved their third star. But he concedes that the third star is not always about food: "There has to be something else." It could be a palatial mansion with tapestries and old masters; or a superb view of Notre Dame; or a service: a chance to live out a fantasy; to spend a few hours in a dream world.

Certain factors must obtain. Scruffy buildings and ugly rooms do not get promoted. I visited Marco Pierre White's restaurant in Knightsbridge just before he got his third star. The enfant terrible was hanging paintings. It paid off.

Cookery/Philippa Davenport

Salmon, fresh from the farm

Wild salmon would make a fine treat for Easter. I thought, I had forgotten how wildly expensive wild salmon is compared to farmed. Is it really worth the price difference? And how do you recognise quality?

Freshness is easy to spot. The gills are blood red. The skin has a lively sheen. The eyes are keen and full, not sunk or shrunk in their sockets. The smell is sweet, not "fishy".

Distinguishing wild from farmed is more difficult. In the cry you should be able to tell by the shape of the fish. The adventurous wilder usually has a blunter nose, sleeker lines and a distinctly forked tail.

The colour and texture of the flesh offer further clues. Farmed fish that have led lazy breakfast-in-bed lifestyles tend to look softer and flabbier while wild fish display the resilient firmness of athletes.

Then there is the degree to which the fish lays down fat reserves. In little wild salmon fat is laid down in the more intensively farmed fish is the thicker the fatty liberty vest it wears between its pink flesh and silvery skin.

In spite of all these pointers, even experts have been fooled, mistaking farmed salmon for wild and vice versa – on the fishmonger's slab and on the plate.

A knowledgeable trustworthy supplier is the cook's best ally. For the fact of the matter is that, though fresh wild salmon in its prime can be superlative, if close to spawning or spent it is a sad gastronomic disappointment. Equally, though much farmed salmon is frankly cotton-woolly, the best can be very good indeed.

The reputation of farmed salmon has not been high in recent years – with good reason. Salmon have often been stocked far too densely and grown in sluggish tidal waters. Sea lice have run rampant and chemicals have been poured on to combat them.

Salmon – of a sort – became increasingly cheap and commonplace (like intensively reared chickens before them), making it a once weekly purchase for many shoppers – until saturation point was reached and menu fatigue set in.

The good news now is that new farming techniques are emerging: more careful, more thoughtful, greener in their approach and producing fish that make superior eating.

Vanguard fish farmers such as Brian Scott of the Northern Salmon Company at Glenarm in Co Antrim are stocking fish in much lower density. They are sifting their cages in fast flowing currents and they move the cages regularly to fresh locations. This forces the fish to lead more active lives, cuts the problem of sea lice (and therefore the need for rou-

tine medication). It also reduces pollution of the sea bed.

Prime farmed salmon is premium priced – over run-of-the-mill farmed salmon, of course, but it is a proper alternative to wild when good wild salmon is unaffordable or unavailable.

It looks then as though the good name of salmon is due for revival. Just as bland factory farmed chickens are being cold-shouldered by growing numbers of shoppers keen to buy genuinely free range chickens that taste as chicken should (with the happy result that real roast chicken is returning to Sunday lunch tables, messy and flavoured some under a crackling gold skin, so

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(serves 4-6)

Delicate and summery, this makes a perfect partner for prime quality salmon or sea trout.

Peel and finely chop 3 shallots. Sweat them in 140g butter in a covered pan over low heat until very soft.

Stir in 4-5oz of finely shredded Little Gem lettuce. Season with sea salt, pepper, freshly grated nutmeg and a squeeze of lemon juice. Cover and cook for a few minutes more.

Add 1 teaspoon chopped fresh mint and the contents of a 200ml tub of crème fraîche. Stir, cover and continue cooking until quite tender. Then whisk to purée.

CUCUMBER SAUCE

(serves 4-6)

Pretty, quick and easy, this strikes me as an ultra-English vegetable dish.

Peel a cucumber and cut it lengthways into six or eight pieces. Scoop out the seeds and dice the flesh. Toss the flesh in a bowl with a good pinch each of salt and 15 minutes or longer then drain off the juices and pat the cucumber dry.

Sauté it in a little steaming unsalted butter, for just long enough to heat it right through. Season with pepper and sprinkle with a little chopped parsley or chervil. Or, to make a more substantial vegetable dish, stir in 8oz (shelled weight) freshly cooked peas just before serving.

WARM SALAD OF SALMON WITH PASTA, TOMATOES AND BASIL

(serves 4-6)

This is a decorative dish and a sensible one to choose if the salmon you buy is not quite as firm fleshed or fine flavoured as you might wish. It is also an eminently practical choice if the weather looks uncertain and you are unsure whether to serve hot or cold foods.

Skin and finely chop 6oz ripe tomatoes. Crush a garlic clove. Mix it with the tomato flesh and juices. Stir in 1/4 tablespoons extra virgin olive oil. Season well with salt, black pepper, a good squeeze of lemon and a pinch of caster sugar. Add plenty of finely torn basil leaves and 1/4-oz black olives (washed and sliced) and leave to stand for at least an hour so flavours blend.

Top, tail and thinly slice 4-6oz young courgettes. Put them into a steamer basket. Skin 6oz salmon fillet and cut the flesh into small bite-size pieces. Lay the fish in a second (lightly oiled) steamer basket, season and stack it over the courgettes.

Shortly before serving cook 6oz fusilli or other small pasta shapes in plenty of fast-boiling salted water. When the pasta is nearly ready steam the fish and vegetables – they will need only a couple of minutes.

Drain the pasta well, dress it quickly with the fresh tomato sauce and toss to mix. Add the courgettes, blotted dry after steaming, and the salmon and toss again. Serve scattered with more basil.



"THESE FISH MAY BE FARMED BUT THEY'RE VERY FIT"

Even experts can be fooled, mistaking farmed salmon for wild and vice versa

fine salmon may come to hold pleasurable pride of place on celebratory spring menus once again.

Top quality salmon, whether wild or superior farmed, deserves to be shown off very simply. Poach it carefully if whole, or steam it if cut into steaks or fillets, and complement it with the best of British vegetable garnishes (nothing beats cucumber) and a delicate sauce.

Jersey Royal potatoes would go well on the side and maybe a few peas – I mean real outdoor Jersey Royals, not the premature and expensive weeklings grown under cover. Or you might complete the treat by pre-frying the fish with home grown asparagus in season.

If, on the other hand, the quality and provenance of the salmon you buy is at all dubious, it is probably wiser to consider a composite dish that includes more robust and flavoursome ingredients that may help to distract from, rather than underline, any imperfections in the fish.

How To Spend It

Time to fill the hampers

Lucia van der Post starts to plan for outdoor days and outdoor meals

The first days of sunshine bring a spring to the step and outdoors grows stronger. It is time to think of hampers and picnics, of outings and holidays. Here, to greet the spring, are a few suggestions for the outdoor life.

■ Purves & Purves, an enterprising furniture and home accessories store in London's Tottenham Court Road, has some warm and classic picnic rugs. In 100 per cent pure wool there is Black Watch (dark blue, green and black) or Royal Stewart (red and multicoloured). Both come with leather carrying handle for £49.50 each (plus £4.50 postage and packing).

Also useful on the picnicking front are some elegant transparent plastic wine glasses and champagne flutes in shades of purple; £16 for a set of four champagne flutes, £18 for a set of four wine glasses and again postage and packing is £4.50.

Purves & Purves has just launched its first mail order leaflet. Telephone 0171-436 8860 for a free copy or to order items. Postage and packing charges are £4.50 for any item but for orders over £85 postage and packing is free.

For those who are not enticed by the outdoor life the

catalogue also features some interesting home accessories – from things as substantial as Philippe Starck's all white injection moulded plastic chair with curved aluminium legs at £115 and a jewelled rectangular mirror at £139 to a splendidly dramatic corkscrew at £19 and a set of spiral eggcups at £9 for four.

■ As the hamper season looms, it is worth knowing about a newcomer in the field: At Home. Here is food and a picnic really worth having. Take, for instance, The Opera hamper – prawns with coconut chutney to start with, marinated chicken breast on roasted vegetables in the middle and a sharp lemon tart with fresh raspberries to end, all with champagne and a chilled white wine (of your choosing) for £48 per person for four people.

The food is merely a suggestion – you can discuss the menu with At Home and devise your own menu if you prefer – but it comes in a fine wicker basket with china and proper crystal, linen and cutlery as well.

If your social life revolves more round Ascot than Glyndebourne, you could go for the salad Nicoise followed by grilled breast of duck in a soy and ginger dressing, a watercress and orange salad,

wild rice and hazelnuts and top that off with an elegant strawberry tart with crème fraîche. All this could be had for £48 a head for four people.

Hamper prices start at £35 a head for four people, delivery is free within the greater London area. Elsewhere there is a charge. The hamper and its contents (minus, of course, the food) is collected by At Home when you have finished. To order or discuss menus

Here, to greet the spring, are a few suggestions for the outdoor life

telephone At Home Catering, 40 High St, Cobham, Surrey KT11 3EB on 0932-962026.

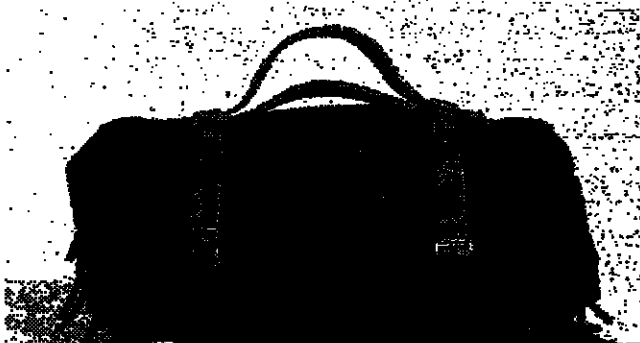
■ If you are one of those people who actually likes filling your own hamper it is worth noting that most of the bigger Debenhams Stores have made great strides on the home furniture and accessories front and in particular have a good selection of the sort of things the happy picnicker requires. Fitted wicker hampers range

from £35 for those with plastic bowls, plates and cutlery to £75 and £99 for more luxurious versions with china and proper cutlery. There are lots of smaller picnic accessories, too – things such as wine bottle carriers, cutlery rolls, and picnic rugs with carrying straps (for £20).

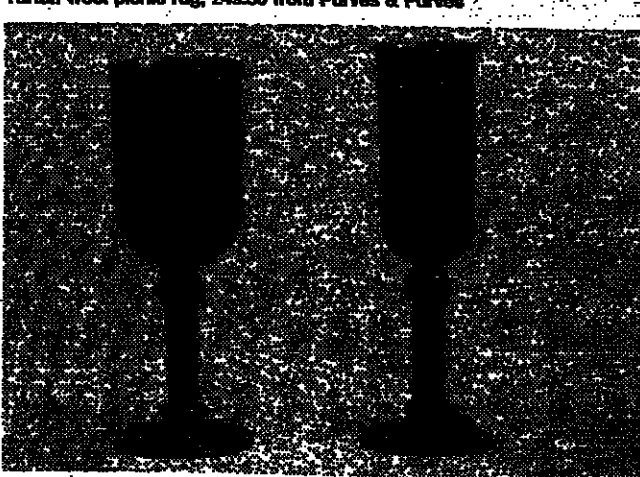
■ Finally, on the casual outdoor clothing front there is Hawkhead, a Cumbrian company which delivers well-priced garments for men and women of exactly the sort that most of us need for informal weekend wear.

There are pure cotton shirts at £15 for men (or two for £25) – in blue denim, taupe and splendid checks and gingham. There are lightweight jackets for just £19 (again, they are admirably plain and unadorned) and some long-sleeved plain coloured "rugby" shirts at £19 a time. Look out, too, for sweatshirts at £15, polo shirts at £15 and 55 per cent linen, 45 per cent cotton shirts and blouses for women.

The range includes the best-value casual garden dress I have come across – a mid-calf length absolutely plain blue chambray dress at just £19. Write to Hawkhead, Rothay Road, Ambleside, Cumbria LA22 0HQ for the catalogue. Or telephone 015394-32233.



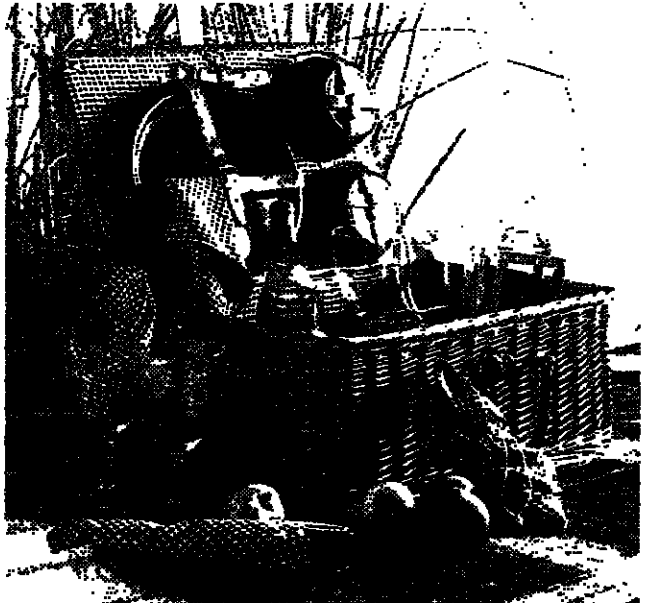
Tartan wool picnic rug, £49.50 from Purves & Purves



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TRAVEL

Latvia enjoys its moment of exuberance

A new nation, a new flag, a new currency. But the Russian presence in Latvia is there to stay. Tony Kelly reports

Children played excitedly through-out the train journey, a boy ran up and down the carriage taking pictures. Passengers appealed for calm, but their pleas were ignored, both by the children and their teacher. Eventually one man decided it was time for a stern lecture, when this, too, fell on deaf ears, his patience snapped. He marched down the carriage, grabbed the ring-leader by the throat and threw him out of the compartment.

It was tempting to look for political parallels in Latvia. A young nation, revelling in its new-found freedom... an older state, affronted by a challenge to its authority... a leader of unpredictable temperament... a violent denouncement as a period of high spirits ends in tears?

Latvians certainly fear that their moment of exuberance could be short-lived; the palpable sense of euphoria is tempered by a pessimistic (some would say realistic) enjoy-it-while-you-can mentality.

Three years after independence in 1991, Russian troops left the country last August - but they still have a radar base near Riga and the Russian presence is in Latvia to stay. "In no other European country has the native population become a minority in its seven largest cities," President Guntis Ulmanis told the UN in September, as American officials hinted at giving Russia greater freedom in its "near abroad".

The signs of a new nation are everywhere, from patriotic stamps and the red-and-white flag, to a new currency, the lat, which even locals find confusing. In shops, people stare at their change and count the coins like foreigners; currency booths near stations and hotels are crowded with Russians forced to exchange their hated roubles, even on one-day shopping trips.

"Four years ago there was only one place in Latvia where you could get a cup of coffee," one foreign teacher told me.

Now *cappuccino* bars have sprung up in the most out-of-the-way towns. The old Central Department Store, in



The flower market in Riga: even the locals find the new currency confusing. People count their coins like foreigners

Riga, cheerless and functional, looks typically Soviet - until you look on the shelves to discover smoked salmon from Norway, olive oil from Italy, champagne from France...

Elements from the Soviet era remain - I stayed in Riga's suburbs among crumbling apartment blocks with a drab Stalinist uniformity - yet even these are broken by an unexpected splash of colour from a flower on almost every corner. As Latvia shakes off its Communist hangover it is struggling to find a new identity, torn between a return to its Baltic past and a future of

wholesale westernisation.

One area of confusion for the unwary traveller is language. Most shop assistants and ticket clerks are Russian and, since everyone understands the language, if (like my wife, Kate) you speak some Russian it may seem the obvious thing to do.

But if you are addressing a Latvian - and, apart from a slight Scandinavian propensity to blonde hair and blue eyes I never really worked out how to tell - you run the risk of being taken for a Muscovite refusing to speak the local language. The bilingual locals seem to know instinctively which language to use, but, for visitors, English is evolving as a sort of politically correct *lingua franca* throughout the Baltics.

Or rather, something which passes for English. Once I had established that my \$3 hotel breakfast entitled me to spend precisely one lat and 62 centimes, I asked what this would buy me. "Orange juice, coffee, roasted eggs, toaster and cheese," the waiter replied. The roasted eggs were fine, although Kate preferred "rolled oats pudding" (porridge with butter) and the next day I opted for a smoked salmon sandwich.

Food has not progressed much beyond the stroganoff-and-chips and everything-with-sour-cream variety, but it is cheap and filling and not at all bad when taken with beer, or Latvian champagne at \$2 a bottle.

In the Pie Kristapa beer cellar in Riga we drank frothy beer from a jug and ate "hunt-

er's croquettes" (meatballs) beneath a stained glass window of a teddy bear. At Fredi's, the haunt of Latvian and American students, we enjoyed vegetarian pasta and salad in a poppy-seed vinaigrette.

Public transport is efficient and virtually free, with a tram or trolleybus ride in Riga taking you anywhere for just 10p

and trains going halfway across the country for a pound.

To get on a bus you need the exact fare; if you have not got it, you simply do not pay. Architecturally, Riga is the rival of any city in northern Europe, with tall Germanic merchants' houses from its days in the Hanseatic League, matched by an impressive collection of turn-of-the-century art nouveau.

The Old City, in the centre, survived both war and Communism relatively unscathed and is now an attractive, mainly pedestrian area of cafes, churches and shops. The city sits on the river Daugava and, from the October Bridge, the skyline is dominated by three tall spires, the churches functioning once more after decades of closure.

St Jacob's is the Roman Catholic cathedral; St Peter's has a new, steel spire containing a lift with a viewing platform; while the highlight of the Lutheran cathedral, is its 6,000-pipe organ. We paid a lat each for an evening concert of organ

music. There is also a Russian Orthodox cathedral near the main tourist hotel.

The Freedom Monument, on the edge of the Old City, is heavy with symbolism. Erected in 1935 on the site of a statue of Peter the Great, it is Latvia's Statue of Liberty, topped by a bronze female figure. During the independence struggle it became the focus for illegal rallies. Since 1992 it has returned to being a national symbol, with a constant guard of honour.

Nearby is another, more poignant monument - five red stone slabs, memorials to the victims of a Soviet raid on the Interior Ministry eight months before independence. One of the victims, a documentary film-maker, recorded the attack as he lay dying.

Riga is an ideal base from which to explore further by train. Sigulda, an hour away, is a pretty town of medieval castles and sandstone caves astride the river Gauja at the entrance to Latvia's national park.

You can stay in the park for walking, cycling or canoeing, and in autumn the woods are crowded with mushroom-hunters, but most people just come for the day. The Turaida Castle, former seat of Riga's Archbishop, has been recently restored, and an explanatory note in English declares: "The wheel [sic] of history" rolls on it is tempting to suggest that if the Russians do not return, the Americans will take over instead. I found it fascinating to observe a society in transition. Go now while you have the chance.

Pity Boris Yeltsin. One consolation for the stresses of Soviet leadership used to be the annual retreat to the pine woods at Jurmala, half an hour from Riga on the Baltic coast.

While Margaret Thatcher went to Bournemouth, Gorbachev went to Jurmala...but now the empty sanatoria and Edwardian chateaus are crumbling, the Russian leader is persona non grata, and the only visitors on a Sunday were day-trippers from Riga feeding the seagulls and strolling along the sand.

Latvia has only been independent for 30 years of its history, so its fears for the future are hardly surprising. The threat may not come solely from the east. McDonald's will arrive in Riga in 1995 and as the "wheel of history" rolls on it is tempting to suggest that if the Russians do not return, the Americans will take over instead. I found it fascinating to observe a society in transition. Go now while you have the chance.



Picture: Tony Kelly

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Saddle sore and awestruck

James Henderson cycles around the spectacular, and exhausting, scenery of the fjords

I went to Norway to see the fjords and instead I got a tour of Britain. I made the trip with a crowd of cyclists. They were probably the most varied and representative bunch of Britons I have ever known. There were voices from the west country, the midlands, the south east, the north east, from Scotland and from Wales. There was an Irishman too.

There were doctors, engineers and bus drivers, a musician, a lecturer, and a shower designer. Ages ranged from 16 to 70. There were traditionalists and lycra men (and women). Some were kit monsters, other had luggage as lean as their calves. There was gushing enthusiasm, very northern humour, canny Scots advice and everywhere unfatigable energy and broad grins of satisfaction at the days of physical activity.

We travelled north from Bergen on the coastal steamer, passing by countless pine-covered islands, each with a small house, tethered to the mainland by electricity and telephone lines. On the mountains behind, waterfalls etched white trails of spray in their 1,000ft cascades.

From Maloy we cycled

inland along the Nordfjord, an excited gaggle of 30 cyclists invisibly shepherded by Brian, the group leader, a Mancunian with a quiet and measured manner.

For all the grandeur, Norway can be incomparably bleak. The fjords have fearsome granite faces and dark, slightly menacing water. But on a sunny day, with the wind behind (important when you are on a bicycle), these huge valleys are welcoming and friendly. The sunlight is strong and the air clear and the views are magnificent as your perspective shifts steadily along the valley floor.

Then came our first hill, or mountain pass to be more precise, all 1,000ft of it. Brian, a master of understatement, referred to it as "oh, a gentle gradient". It was a long and unrelenting struggle to an invisible crest. The group as soon strung out, as we went at it with grim and silent application. Heads down and push, till your lungs rasp and your thighs burn. You must never think you are nearly there - just keep pushing and pushing. Eventually, though, the streams start to run the other way, and a new valley opens out before you. You forget the

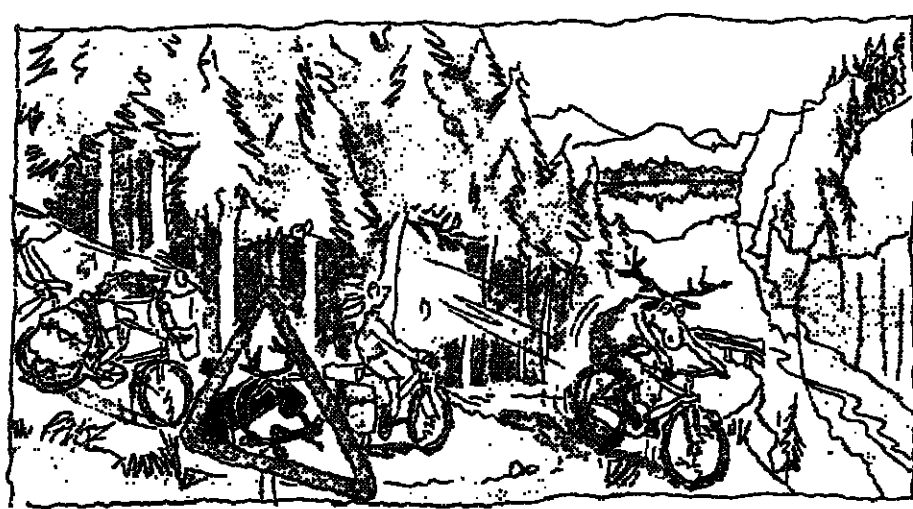
effort of the climb at once. Going downhill, I enjoyed not turning the pedals for 15km.

The fjords are one of the most spectacular areas of Europe. They slice their way inland for miles, carving into 4,000-5,000ft mountains. These are old, rounded ranges, flattened and crushed into graceful concave and convex curves by glacial movement.

The Geiranger Fjord is among the best known. Its slopes are almost sheer and the waterfalls tumble without touching the granite face, gradually dissipating into spray. Somehow, pine trees cling to the granite rockfaces.

We approached from the other side of the mountain - "a steady pull" over four or five hairpins and then a merciless haul to the crest. The view from the top was heart-stopping (if it had not arrested already on the way up, someone joked). Below, the ocean-going liners looked like toy ships.

We spent the days exploring the valleys around a number of centres between Alesund and Bergen, usually on circular routes so that we did not cover the same ground.



The soil is meagre in this part of Norway and any cultivable land is clustered with tiny settlements, sometimes as small as an individual farm at the fjord's edge. Turf is used on the roofs, to bind the birch-bark waterproofing. The local primary school had a neatly trimmed roof the size of a netball court, but elsewhere there were nascent forests sprouting out of the houses.

The team split into groups as the trip progressed. There were the racers, who headed off, tails up, at the beginning of the day, and were not seen again until we reached our destination. The rest of us shifted back and forth in endless permutations of twos and threes, gradually getting to know each other. I found myself gravitating to the naughty boys (aged from 25 to 70, usually somewhere at the back. Our imaginary yellow jersey was awarded according to a per-

son's humorous contribution. Somehow Finlay, the Irishman, seemed permanently to lead the field.

Occasionally we would gather at a fixed point, for lunch or mid-morning coffee.

The Hotel Union at the head of the Nordfjord was a throwback from a century ago, when the first tourists came to the area, mountaineers and walkers as well as the odd royal party. It has been restored in the style of the belle epoque, with coats of arms, heavy velvet curtains in the doorways and leather-top tables. Around the walls, the 12ft of panelling is hung with portraits of visitors, among them Kaiser Wilhelm and King Oskar II.

It was a novel experience joining a cycling holiday and apart from being a little saddle-sore, it was enjoyable. Scandinavian roads are good; and Scandinavian countries have the lowest road traffic accident

rate in Europe.

My favourite day took in forest tracks and ravines thundering with water, riverside stops and views to kill for. We followed a footpath cut out of the rockface which climbed to 200ft above a steel grey lake. All around there were massive granite peaks.

Downhill it was brakes full on to the point of cramp in the hands, leaning as far back as possible in the saddle, slithering over roots and bouncing on the rocks, trying not to get caught in the vehicle tracks. It was fun, if a little nerve-wracking hoping that my brake cables would hold out, but it seems that the experience had a deeper effect. Since then, my recurring nightmare of frustration has become a mountain-bike wheel stuck in a muddy rut.

The Norwegian Tourist Board can be contacted on 0171-838 6255.

BOOKS

The heart may be in the head, after all

Raymond J. Dolan admires a brave and lucid attempt to integrate emotion and reason as serving common ends

Antonio Damasio is a renowned neurologist and neuroscientist.

In *Descartes' Error* he tackles the issue of human emotion and its relationship to reason. This is territory usually off limits to mainstream neuroscience. Little reference to emotion is found in standard text books of neurology or neuropsychology. For much of this century interest in this area has been the sole prerogative of psychiatry. Emotion was one of the defining features of a kind of Wall of China demarcating psychiatry from neurology. In this arrangement psychiatry was definitely Outer Mongolia.

A remarkable development in neuroscience over the last 20 years has been the erosion of self-serving demarcation lines. Curiously this has its parallels in discoveries that the brain itself is massively intercon-

nected. *Descartes' Error* is firmly rooted in the simple idea that an answer to the dilemma posed by emotion is best addressed by considering the human brain. Damasio's book provides a lucid demonstration that human emotion is as worthy of scientific investigation as motor function, language or memory.

Scientific interest in human emotion can be traced to two intellectual giants of the last century, Charles Darwin and William James. In 1872, Darwin published *The Expression of the Emotions in Man and Animals*. Here he drew attention to common forms of emotional expression across species and inferred a common evolutionary basis. In 1894, William James provided one of the earliest psychological formula-

tions of emotion. He proposed that the perception of external events of value produces bodily changes. Emotional experience follows from the perception of these bodily changes. As an example, imagine being confronted by a vicious dog. A likely response will include a rapid heartbeat, a constricting feeling in the chest and a defensive bodily posture. James believed that the perception of these bodily responses was the emotion.

Damasio's thesis has links to both Darwin and James. An evolutionary perspective requires the specification of dedicated brain systems that mediate emotion. These systems include a critical region on the ventral surface of the frontal cortex. He makes the point that a brain that pre-

valled in natural selection must have been one in which subsystems responsible for emotion were intimately interlocked with more recently evolved systems for reasoning.

DESCARTES' ERROR: EMOTION, REASON AND THE HUMAN BRAIN

by Antonio R. Damasio
Penguin £16.99, 312 pages

and planning. After all, they both served the common business of survival. The Jamesian appeal is his grounding of emotional experience in the body.

The philosopher Claire Armon Jones has made the telling point that reason is the accepted standard against which emotion is defined. Con-

sequently emotion has had a bad press. The heart of *Descartes' Error* is the brave attempt to integrate emotion and reason as serving common ends. Damasio argues most effectively that reason without emotion is greatly impoverished. Within this framework emotion emerges as a mechanism critical to self regulation and to the efficiency of cognition.

The influence of emotion on reason is most vividly manifest in patients with selective damage to brain regions that mediate emotion. The most celebrated case is that of Phineas Gage, a New England railway worker in the middle of the last century. A man of impeccable character, he was transformed overnight into an untrustworthy, impulsive and

uncaring psychopath after sustaining damage to his orbital frontal cortex.

His case was meticulously documented by an attending physician, John Harlow. Harlow noted that, despite a character transformation, Gage's intellectual faculties were intact. The common feature in all patients such as Gage is a disorder of pragmatic reason. In other words, these patients are particularly impaired in social and personal interactions where reason needs to be tempered by emotion.

An extended mechanistic account of how emotion influences reason is provided by Damasio's somatic marker hypothesis. The essence of this is that bodily feelings, previously associated with positive or negative emotions, can be

elicited by scenarios generated by reasoning. Negative or positive bodily feelings so generated are fed back to the brain. If the prevailing scenario is, for example, a plan of action associated with negative bodily feelings, it is discarded without further elaboration. Somatic markers are therefore biasing devices that alter the probability of making certain decisions or embarking on certain courses of action. He boldly asserts that these type of bodily states may be the basis of ethical rules, social conventions and even such exalted behaviour as altruism.

Somatic markers are acquired, though, experiences. What if an individual is not exposed to the right type of experiences that are necessary for their development? One

result might be what is conventionally called psychopathy. This likelihood begs difficult questions. What is the moral culpability of an individual, otherwise perfectly rational, who lacks the neural apparatus to enable the modulation of action by emotions such as love or compassion?

Much of what Damasio says about emotion is undoubtedly correct. The absence of meta-psychological mediations that characterise so much work on emotion is most gratifying. Whatever the ultimate fate of his somatic marker hypothesis, the most important achievement of *Descartes' Error* is the challenge it poses to cognitive neuroscience. We may well be about to discover that the heart is after all in the head.

■ Raymond J. Dolan is a Wellcome Senior Fellow in Clinical Neuroscience

Banish fear and loathing from the lab

Michael Thompson-Noel enjoys a timely and absorbing defence of science

Near the end of Peter Hoeg's novel, *Miss Smilla's Feeling for Snow*, his narrator crystallises what it is he hates about western science. Its attitude to the world, she says, embraces "calculation, hatred, hope, fear, the attempt to measure everything. And above all else, stronger than any empathy for living things: the desire for money."

The lust for lucre underpins science. And it is possible that the distrust and fear of science that many scientists say they have to contend with stems from a belief that science has been hijacked by capitalism, red in tooth and claw.

Yet money and profit make only fleeting appearances in Robin Dunbar's timely and absorbing defence of science. This is a pity, because Dunbar, who is professor of psychology at Liverpool University and was formerly professor of bio-

logical anthropology at University College, London, could have mined a rich vein by studying more closely the relationship between capitalism and science.

Science, of course, is neither "good" nor "bad"; all it is science. But unless writers with Dunbar's skills and knowledge investigate the relationship between science and capitalism more strenuously, it is possible that the anti-science bandwagon of which he speaks will gain real momentum.

For example, at one point he describes the revolution in ethology - the study of animal behaviour - in the late 1970s, when ethologists finally realised they could apply the precise mathematical techniques of population genetics to something as nebulous as behaviour. Once the maths had been tamed, ethology took off, though it has not achieved the dominance of molecular biology.

The reason, says Dunbar, is hardly surprising: ethology's lack of immediate biomedical and pharmaceutical relevance has meant that its funding has remained meagre by comparison with that given to disciplines that hold out the promise of medical cures and large commercial profits.

What he does not really dwell on is whether we can have one without the other - whether the discovery of medical cures is inextricably bound up with the drive for large commercial profits.

This is a pity, because a few pages later he gives a tantalising glimpse of the strange relationships that span disciplines as varied as evolutionary biology and economics. Evolutionary biology, says Dunbar, benefited from being able to apply the mathematics developed by economists for finding optimal solutions to investment and pricing problems. Likewise, over the last two decades biologists have made extensive use of mathematical game theory, which has been applied by economists to a range of subjects including price wars and labour relations strategies.

But the biologists did not import economics into the study of behaviour. They did

not become economists. Rather, they borrowed the economists' mathematical tools, just as the economists had borrowed them from physicists who had invented them to solve problems of fluid dynamics and light propagation. At each borrowing, the techniques were newly elaborated to deal with different problems - to such an extent that economists are now borrowing back from ethologists some of the mathematical techniques they invented originally.

This is really interesting, and is well handled by a writer obviously worried that the anti-science movement which is probably ignorant of these interrelationships - is in danger of gaining the ascendancy. But how well grounded are scientists' worries? Is the anti-science movement genuinely significant? Does the startling growth of religious fundamentalism, especially Creation Science, presage global darkness and ignorance?

Dr Steve Jones, who is professor of genetics at University College, London, and author of an excellent science book, *The Language of the Genes*, has told me of his horror at the way "people blame science and scientists for bad news of all kinds. It is extraordinary. Even ostensibly well educated people hold science accountable for the things it discovers."

However, what Jones said next was a tad worrying. "I tell them," he said, "that the dangers from progress in genetics are far less marked than those in physics and chemistry."

The general reader will benefit greatly from Dunbar's book because he explains, with vivid examples and historical excursions, what science is, what it does, what it cannot do, and why most of us find science - or even thinking logically - relatively difficult.



Grant and his granddaughter. "I remember when we could go to the cinema, have pie and mash and still have money for ice cream, all for half a crown." Taken from *Eats, Pie and Mash: Photographs by Chris Cunn*, Museum of London, £2.95, 192 pages.

When a nurse brought round a form and invited Elisa Segrave to fill it in, she wrote: "I live alone with two young children. I am about to get divorced. I think my mother is an alcoholic. I am a freelance writer and I am probably suffering from stress due to not getting my work published."

The nurse took it away and nothing more was said. This was worrying to Segrave, recovering from an operation to remove a lump from her breast. It was worrying that nobody seemed worried by what she had written. "Surely they should be worried? I might commit suicide."

A more likely cause of suicide in Segrave's case might have been depression at the constant rejections in her attempts to become a published writer rather than despair at the prospect of prolonged treatment for breast cancer. The tumour turns out to be small, and treatment is judged successful. Segrave is happily spared for posterity, and her prose for publication.

Answered prayers are very dodgy things - the saints, to whom one occasionally appeals for favours, have a well-developed sense of irony.

Irresistibly, *The Diary of a Breast* reminds me of a memorably funny book published in 1948 - *The Plague and I* by Betty MacDonald - in which the author contracted TB (then

In pain and pleasure

Cancer does not improve her character or temperament: what it does, is sharpen it. It does not make her a better person, but it does infuse her with an awareness of the fragility of others. Her appetite for her own needs becomes more focused, and inevitably this has an effect on others - she has no qualms about tick-

plots: one of which, a sort of running joke, involves Segrave's dedicated ambition to write a column for *The Spectator*. This can only be achieved at the cost of dislodging a columnist, and - almost by default - Segrave finds herself launching a campaign of complaining letters to the editor which, she fondly imagines, will result in her engagement as the inadequate writer's replacement.

On the basis of *The Diary of a Breast*, Segrave should be given a column immediately, because her book is profoundly, gravely funny. Within a limited, London literary circle, Elisa Segrave knows everybody. Her vignettes of the louche literati of Notting Hill and the demi-socialites of Holland Park are etched less with the assured art of the portraitist, but more with an insider's knowledge of the confusion underlying their courage. She understands the complexities behind their bravura performances and the struggles behind their apparent smiles in exactly the same way as she recognises these characteristics in her fellow patients.

On one occasion, Segrave imagines she is living in a Solzhenitsyn novel. The literary imagination is there, but her strength is that she lives in the real world and in her own pain and pleasure.

Iain Finlayson

THE DIARY OF A BREAST

by Elisa Segrave

Faber & Faber £9.99, 287 pages

Tough liberal with vision

At the 1992 Democratic Convention in New York, just before the nomination of Bill Clinton, delegates were shown a short but emotive documentary film about the political career of Robert Kennedy. The image projected was that of the last great radical, the guiding spirit of a new liberal tradition. The symbolism, as Brian Dooley's new book underlines, was obvious: Clinton wanted to be associated with "a bona-fide radical who could win elections". JFK may have had the charisma but, it is suggested, RFK had the conviction.

Robert Kennedy was described by Frank Mankiewicz, his former press secretary, as a "tough liberal". One reporter wrote that "whenever you see Bobby Kennedy in public with his brother, he looks as though he showed up for a rumble". He acquired a reputation for ruthlessness during his brother's presidency: it was Robert Kennedy whose behaviour was most resolute during the Cuban missile crisis, Robert Kennedy who dispatched his deputy to face George Wallace at the University of Alabama, and Robert Kennedy who backed the Green Beret counter-insurgency force. Robert Kennedy, it was said, got things done.

After his brother's death, Robert Kennedy's image began to appear more complicated. As his own presidential ambitions took shape, it seemed, to some observers, that perhaps he had always possessed more passion, more vision, than his more cautious and calculating brother. By the time of his victory at the California primary of June 4 1968, he looked not just like a winner, but rather like a winner with a political imagination, a winner with ideas.

Brian Dooley's short, sober but informative book concentrates on the last three years of Kennedy's life: the years in which he attempted to create a new power bloc out of the debris of the old Roosevelt coalition. Such a project, as Dooley points out, took time to crystallise in Kennedy's mind. His election to the Senate in 1965 was the result of a campaign which concentrated on exploiting the family name and his White House experience.

Once ensconced inside the Senate, however, he needed to find his own power base, independent of President Johnson. What he proceeded to do (motivated, as Dooley notes, both by political cunning and personal disposition) was to outflank those rivals to the left of the Democratic Party - such as Hubert Humphrey and Eugene McCarthy - and claim the

most radical wing for himself. The old New Deal electoral coalition had started to disintegrate, as had its philosophy of central government control. Dooley includes useful chapters on Kennedy's gradual and selective assimilation of ideas and themes from the New Left, the civil rights movement, and big business and industry, and his subsequent construction of a new power bloc composed of the poor, the young, the workers outside the traditional labour union structures, blacks and anti-Vietnam war protesters.

Dooley is right to highlight the significance of Kennedy's political training, acquired during his time as manager of his brother's successful campaigns. Such experience had made him an expert on the various power blocs which dominated the Democratic Party, and it also taught him to avoid burning his bridges with the old coalition in the process of establishing its successor.

It was an eminently practical and unsentimental political strategy but, intellectually, it always carried a serious risk of incomprehensibility. In 1968, on his funeral train, one of his associates recalls, "so many people on the train could not understand why everybody

else was there; they didn't understand this floating crap game in which he was the centre and connecting link, and that all the other players were not like themselves".

Had he lived, it is not clear that his coalition would have been coherent enough to have secured political power. Ted Kennedy's 1980 presidential campaign centred on issues, ideals and an organisation very similar to Robert's, but without the same success. Nonetheless, as Dooley goes on to stress, certain aspects of Robert Kennedy's project, considered today, appear both prescient and influential. While Dooley's conclusion - that "Kennedy's journey from Cold War to radical liberal was a transformation which took the main body of American liberals 30 years to complete" - strains too hard to discern an heroic coherence within the intricate and sometimes messy period detail, this fair-minded book will help provide the reader with a basis to reconsider the legacy of an audaciously modern politician.

Graham McCann

ROBERT KENNEDY: THE FINAL YEARS
by Brian Dooley
Kale University Press £14.99, 191 pages

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Kale

BOOKS

Frolics under the fig-tree

Jonathan Rée describes an unhappy Parisian encounter between philosophy and feminism

Françoise Giroud deserves to be one of the female icons of the century: an independent intellectual, who has also been successful, influential and happy. She started work in films in the early 1930s, became editor of *Elle* after the war, and founded *L'Express* in 1953. In the 1970s she achieved high political office as Minister for Women, then Minister for Culture. And she has never stopped writing – not only political journalism, but books, with a speciality in biographies of strong women: Marie Curie (*An Honourable Woman*), Alma Mahler (*The Art of Being Loved*) and Jenny Marx (*Wife of the Devil*).

A couple of years ago, Giroud agreed to record a series of conversations about sex and love. Anxiously transcribed, they became an instant best seller. But her opinions in *Women and Men* come as a bit of a shock in place of customary commonplaces of cynicism, depression and lassitude, she comes out with cheerful optimism. When she thinks of sex, she does not associate it with abuse, entrapment and the fear of death, but with life, variety and the conquest of happiness. She admits that the

widest hopes of feminism have not been realised, but she thinks it has been a fantastic, revolutionary success all the same. Mauriac thought that women are bound to be unhappy. "It's their vocation," he said. But women have proved him wrong, according to Giroud: they have snatched back their right to a "happy sexuality", and can at last satisfy their "simple and greedy desire for life".

The joys of love may come to an end, of course, and all you can do then is take a deep breath and carry on – and "never make reproaches", Giroud adds. And lovers who successfully mature into "former lovers" will then have the additional joy of "lifelong fidelity in friendship". Giroud recognises that new solutions have created new problems. Children, for a start: when adults are off finding happiness with each other, what happens to the love they owe their offspring? And she assumes that we all have plenty of earning power: even when we marry, she says, we must avoid the folly of sharing money or a house. She also worries about the decline of the love story in films and popular music. Where, she wonders, can today's youth find idealised models of love?

One place they might look to is the world in which Giroud moves, dominated by high-class dinner parties where everyone is wondering who will go home with whom, and no one, it seems, is merely desperate to get a bit of sleep before another dreary day at work. Obviously, Giroud could take more account of the fact that not all places are Paris, and that even in Paris lots of people are poor and lonely, or inexperienced and hopelessly shy; even in Paris, many people are too busy, depressed or drunk even to think of being

happy; and some people are not effortlessly heterosexual. Giroud evidently realised that she needed to get some distance from her own experience, and decided that a steady dose of philosophy might do her good. She

But Lévy, who came to fame by launching the right-wing "new philosophers" in Paris in the 1970s, is a different breed: hesitation is not his style. Lévy's role was, it seems, to offer philosophical correction to Giroud's warm intelligence. Relations between the sexes cannot really have changed, says the philosopher: sexual difference is what it is, and "it's been that way since the dawn of time". Experience may have told her that desire can wane, but he knows better: "Desire is like Cartesian movement: it can continue for ever." So he gives himself for combat with "feminist ideology" – not just for his fellow men, but – such is his gallantry – "on behalf of women too". And Lévy is no mere intellectual: he is a man of the world. "I've lived in Paris, I've lived outside Paris," he says, impressively. He is the sort of intellectual who never reads

WOMEN AND MEN: A PHILOSOPHICAL CONVERSATION
by Françoise Giroud and Bernard-Henri Lévy
Little, Brown £15.99, 240 pages

therefore chose a philosophical interlocutor, in the form of Bernard-Henri Lévy, famous for being a celebrity in the Parisian media. In older days, the idea of being a philosopher may have been associated with a certain modesty, a wary sense of the insufficiency of our certainties when confronted with the difficulties of human existence.

Boned up on Becket

Jeremy Black follows hot on the trail of the saint

Following its success with John Bossy's award-winning *Giordano Bruno and the Embassy Affair*, Yale University Press has published another fascinating and well-produced historical detective story. Whereas Bossy's book was a feat of historical reconstruction securely anchored in the late-16th century, Butler's ranges from the 12th century to the present day. He seeks to direct attention to a puzzle and in doing so offers what is simultaneously a series of valuable insights and a well-written mystery. The last is particularly apparent: this is a story that is well-paced, clearly written, full of surprising twists and turns, and with enough forensic detail for any thriller fan, a dramatic setting and a pleasantly mixed cast.

The setting is Canterbury Cathedral, the puzzle not a who-did-it, but the case of the saint's bones. Revered by centuries of pilgrims, the remains of the murdered Thomas Becket were generally believed to have been burned in 1538 when Henry VIII's commissioners despoiled the pilgrimage shrines of England. Yet, over the last century there has been persistent interest in the theory that the bones were not destroyed, but rather secreted away by the monks who had had plenty of warning of Henry's intentions. For many years this theory focused on the remains recovered in 1888 from a shallow grave in the east end of the crypt near where Becket's body had first lain. Inside the coffin a "great head lay on a hollowed-out stone pillar and the bones were laid

round the head in a sort of square". Examination at the time indicated that the bones fitted descriptions of Becket: they were those of a tall man who died around the age of 50 and whose skull had been fractured by a blow possibly delivered by a sword. The bones were quickly reburied and a debate on their authenticity duly followed. Much of this centred on whether the wounds on the skull were compatible with descriptions of the murder. The most

THE QUEST FOR BECKET'S BONES: THE MYSTERY OF THE RELICS OF ST THOMAS BECKET OF CANTERBURY
by John Butler
Yale University Press £16.95, 192 pages

detailed treatment of the subject, *What Became of the Bones of St Thomas?* (1920) by Arthur Mason, a former Vice-Chancellor of Cambridge and then Canon of Canterbury, decided that "the facts seem to point to the conclusion that the bones in question are the bones of the great Archbishop". By 1949 there were plans to erect a new tomb over the bones, and the Dean and Chapter decided as a preparatory move to have them examined. The grave was reopened for the first time since 1888 and the bones given a more detailed and scientific examination than on the earlier occasion. It indicated that no ante-mortem wounds had been made with a cutting instrument anywhere about the skull.

The 1951 report did not, however, end speculation. Searches turned to other sites for Becket's tomb and the various hypotheses are reviewed by Butler in a judicious fashion. He argues that it is not possible to state with absolute certainty whether Becket's bones were burned in 1538. If they were not burned, they may have been taken secretly by the monks and buried without the knowledge or consent of the King's Commissioners, or they may have been buried in an inconspicuous place by the Commissioners. Butler traces the various possible graves, indicating that the evidence for each of them is no more than circumstantial. He favours the hypothesis that the 1888 coffin had once contained the true bones of Becket, only for them to have been subsequently removed and replaced by others hastily exhumed from elsewhere. The bones were then possibly reinterred in one of the two unidentified graves between the Chapels of St. Mary Magdalene and St. Nicholas in the north crypt transept. The red light of martyrdom burns there and the group who claim to be party to the secret of the true resting place of Becket's relics pray there twice yearly for the conversion of England. Unlike many "secret histories", Butler's book is careful and scholarly. Evidence is properly weighed, developments and arguments placed in thoroughly-researched contexts and due allowance made for alternative explanations. Much of the pleasure of this work stems from observing a fine intellect at work on a difficult puzzle.



Man who 'murdered god'

A.C. Grayling on Darwin's dilemma over publishing 'Origin of Species'

There have been many number of Charles Darwin biographies in the last few decades. It is not surprising that he attracts so much interest: he is, after all, more important than any other secular figure of the last two centuries – including Marx and Freud – because his work effected a more radical change in human self-perception than anything before it in recorded history. Summarily put, before the Darwinian revolution we thought of ourselves as special beings, occupying the summit of a divinely planned creation, which – according to one influential reckoning of the Bible's timescale – was about 4,000 years old. After Darwin our perspective is utterly different. Life, he taught us, is the product of long, slow, blind struggles for survival, taking place over aeons. The oddity is that this revolution would have happened even if there had been no Darwin. He was the right man in the right place at the crucial time, his gifts as an observer and reasoner were by no means incidental to the shape that evolutionary theory took, but if he had not sailed round the world on the Beagle someone else in the scientific circles of the day would, sooner rather than later, have brought those same ideas to light. To say this is neither to belittle Darwin's achievement, nor to reduce the enigma of his character. After the Beagle voyage collecting the data that prompted his version of evolutionary theory, Darwin waited and fretted many years before publishing it. The facts plainly indicated evolution, yet to Darwin it felt – as he put it himself – as if by publishing the theory he was "murdering god". When at last *The Origin of Species* appeared he found – as

he had guessed – that many others shared that view, and a violent controversy flared. Darwin was ill for much of his life – a tropical illness acquired on the voyage, or anxiety? – and shunned both publicity and conflict. He left the task of championing his views to such redoubtable allies as T.H. Huxley, who easily rebutted criticism from the likes of Bishop "Soapy Sam" Wilberforce. But the theory hardly needed such help; it was its own defence, and it completely rewrote mankind's intellectual map. But so many Darwin biographies! – is there really room for another? Just four years ago Adrian Desmond and James Moore produced their brilliant account of Darwin's life, work, and controversial times, a book that crackles with energy and intelligence, rightly provoking charges of praise from its reviewers. How does Janet Browne's new biography (more accurately, the first of two volumes of biography) compare? It must first be said that since the mid-1980s there has been a flood of new material about Darwin's life. His cryptic and illegible journals have at last been decoded, his immense correspondence – of which Janet Browne is an editor – has been organised and published. But Desmond and Moore benefited from this work too, so there is nothing novel in the resources Browne uses. She does however have an extraordinarily intimate knowledge of Darwin's cor-

respondence, and she uses it to good effect. In consequence there is a wealth of small detail in her picture – about matters as diverse as, for example, the smelly feet and the sexual feelings of Darwin and his brother Erasmus – which certainly adds to our knowledge. Browne's book is slower, more circumstantial and, on the domestic side of Darwin's life, cosier than Desmond's and Moore's; indeed, almost too cosy in its analysis of Darwin family relationships. It does not have the verve and bite of Desmond's and Moore's account, nor its sharpness of grasp in tackling the intellectual controversies of the day. At times Browne almost overwhelms herself with sheer detail. But in her quieter way she succeeds well in illuminating Darwin's reliance on contacts and colleagues, his use of the scientific network available to him for help, and the influence on him of work being done by others – not least of Charles Lyell and Joseph Hooker. Best of all, it gives a profound sense of Darwin's agonising self-imposed 20-year-long hesitation, together with the opposite anxiety he felt that others might steal his thunder by publishing their own views on evolution first. And indeed that is what happened, although the extent and quality of Darwin's own work, and the fact that it was known in pre-publication form to a number in the scientific community, protected its claims. The volume ends with Darwin at long last about to publish, after much urging from Lyell, his *Origin of Species*. The next volume describes the consequences of its appearance. Anyone with an interest in Darwin and the history of science will find much of value here.

CHARLES DARWIN VOYAGING
by Janet Browne
Jonathan Cape £25, 605 pages

The reluctant barbarians

One of the streams which went into the Soviet peace movement – and which later nourished Gorbachev's "new thinking" – was the yearning of Soviet elites for "the European civilisation of which they effortlessly became a part during their international academic and diplomatic engagements, but from which they felt exiled as soon as they arrived back in their imperial but sordid homeland. They were reluctant barbarians, seduced by the superior civilisation of which they were witnesses and aspiring participants.

Tchoubarian's book is a product of this strange mingling of minds. Gentle and humane, it pleads for a "common European home", whose prospects were receding even as he completed it (there is no information on whether it was published in Russia, but judging by internal evidence it was finished some time in 1992.) Today it feels almost like a period piece, dignified and appealing, but already outpaced by the way recent history has brutally reminded us of the difficulties it prefers not to acknowledge. The European idea is an account of the movements for

European unity and the peaceful settlement of disputes since the late 18th century, from Kant and Rousseau through the Holy Alliance, Saint-Simon to Coudenhove, Monnet and the Helsinki process. Naturally enough, it gives particular attention to Russian thinkers and statesmen, from Vasilii Malinovsky in the late 18th century to Mikhail Gorbachev in the late 20th. The question of the relations between Russia and Europe has been a cardinal problem for all participants in this tradition of international peace-seeking, and not only for the Russians. All proponents of European unity have had to ask whether or not Russia was to be part of their scheme. Geopolitically, Russia was crucial; but at the same time three-quarters of its territory lay beyond the Urals and its polity was recognisably of an Asiatic type – more akin to the Chinese or Ottoman Empires than to any European analogue.

Since the question of what characterises European civilisation is so important to his book, it is curious that Tchoubarian does not attempt to define "the European idea". Surely any conception of Europe must include at its heart the notion of individual freedom combined with that of democratic self-government and the rule of law: in a word, citizenship. That is where the ancient Greeks started out, and that is what we are still aiming at today, behind the veil of the *acquis communautaire*. The international peace movement germinated in this soil, for citizenship cannot be promoted against a background of perpetual wars, whether they are fought between princes, prelates or nations. Of all this, Tchoubarian has little to say, and that only in passing. His repertoire of concepts is drawn from a defunct Soviet world view (however revisionist), where "progressive" politicians contended with "reactionary" ones, and where "socialism" and "democracy" always turned out to be identical. Incredibly he does not even seem to see that nation-states can be problematic as peaceful members of the international community, implying that Mazzini's idea of a "Holy Alliance of nations" would have worked out well if it had not been hijacked by the "reactionaries". All this is a pity, as Tchoubarian's humane and democratic ideals mark him out as the kind of Russian who would have fitted well into European civil society. But his weary and threadbare phraseology, dated from a Soviet era, his house long since cleared of everything valuable, tells us only too clearly why his ideals have little appeal for most Russian voters and are unlikely to influence western statesmen.

THE EUROPEAN IDEA IN HISTORY IN THE 19TH AND 20TH CENTURIES: A VIEW FROM MOSCOW
by Alexander Tchoubarian
Frank Cass £35, 208 pages

Geoffrey Hosking

Living death of the salesman

This is a book which should be read by anyone harbouring desires to work in sales, anyone who buys from sales companies, and who regulates sales companies. It is impossible to read without concluding that there is something fundamentally rotten at the heart of modern-day sales operations. The book tracks the year in the life of a team of people who sell photocopiers and describes an appalling picture of stress, sharp practice and unethical behaviour at one of the US's major companies. However, it is a story which former salesmen confirm could equally have been written about UK companies which sell life assurance, mobile phones or double glazing. With sales jobs increasingly dominating newspaper's appointment pages, this non-fiction work raises fundamental questions about the incentive structure at the heart of every sales team. David Dorsey details how, in their quest to meet stiff targets, salesmen are often forced to disregard the customer's own needs in order to close deals.

Fred Thomas is one of the most successful salesmen in the US. He works for Xerox Corporation where he heads a seven person sales team in Cleveland. Xerox sales staff in Cleveland sell more than \$30m-worth of photocopiers a year. The author followed Fred

Dorsey documents Fred's year in detail as his sales fortunes fluctuate and he swings between elation and depression. Half way through the year it becomes clear that his team has only sold one third of its annual target, and with failure looming, it launches into a desperate attempt to close outstanding deals. Such is the pressure that team members fall ill as the deadline looms. Corners are cut and sneaky sales tactics are used in the team's ultimately successful attempt to reach its sales target. This leads one of Fred's team, Larry, to insist on a customer signing for a photocopier even as the customer's mother, who has lung cancer, suffers a coughing attack. After closing the deal, which Dorsey presumably witnesses, Larry says "I wish I could have come at a better time". The customer replies "So do I. This is the worst time of my life,

actually". The book is Dorsey's first and is 100 pages too long. It is written in the style of a Jeffrey Archer novel but the real life characters are not interesting enough to sustain the detailed analysis Dorsey gives us. However, the book does raise a number of important questions. The most significant is what possessed Xerox to agree to Dorsey's request to tail the sales team for a year. In some of the book's most damning passages he details the methods which he says Xerox uses to induce customers, most of whom already lease Xerox copiers, to sign new sales agreements. For example Dorsey writes that "a large proportion of Xerox business rests on this process of returning again and again to faithful customers and 'churning' the equipment". He states that "it's the company's bread and butter". Dorsey explains that the "trick is to keep faithful customers habituated to paying a monthly leasing fee rather than buying their equipment". Now we know.

William Lewis

THE FORCE
by David Dorsey
Century Business £18.99, 315 pages

and his team for a year, attending meetings with customers, watching them at work in their office and in their homes. The book tracks Fred's increasingly frantic attempts to meet the sales target he and his team have been set for the year. Fred's goal is to exceed his target sufficiently to be able to go on a company-arranged trip to Palm Springs.

GARDENING / OUTDOORS

The sunlight was filtering through old oak trees; the scent rose from yellow azaleas and earlier this week, I verified an Easter heaven which will captivate anyone whose back has been bent by a long Good Friday in the garden.

In the Kingston corner of London's Richmond Park, the Isabella Plantation has enlarged my ideas of Eden. It has leapt up my shortest of shortlists and is April's match for Ninfia and Sissinghurst and the Botanic Gardens of Munich and Edinburgh.

We all dream of woodland gardens whose magnolias and camellias grow in apparent wildness and whose rhododendrons are discreet. It is extremely difficult to find one which is not overpowering, storm-damaged in 1987 or a victim of public, municipal signing. The Isabella is the answer. The great gales have thinned its upper canopy, but enough of the ancient oaks and beeches survive; the lower layer of Asiatic shrubs was miraculously undamaged; conifers are mercifully few and the grass is mossy and looks invitingly Japanese. The paths are generous and never intrusive; there are no silly signs and nobody has defaced it with maps on stumps or patronising guides to a so-called "nature trail".

It costs nothing to visit, but the Magnolia stellata has grown over 15ft high, flowering now from top to bottom; the rare camellias are stupendous; the upkeep is first rate and even the heathers have a certain style, being massed at a far edge of the garden where they detain the pond-and-duck public who enter by the further gate and never go beyond the heathery perimeter.

Woodland gardens of Asiatic shrubs are often the lavish consequence of landowners, bankers or baronial women. The Isabella is nothing to any of them. Since 1949, it has been changed from a wood to a woodland garden through the skill, taste and support of public superintendents, working for Richmond Park.

The mastermind was George Thomson from 1951 to 1971 who gave the garden its shape and unusually coherent atmosphere. He worked closely with the Head Gardener, Wally Miller, who continued until 1981. Both of them designed a laurel-crowned place in British garden history.



The Isabella Plantation: no silly signs, no mops, and no patronising guides to "nature trails"

Travis Humphreys

Eden in a London park

Robin Lane Fox is captivated by the Isabella Plantation – free of weeds and free to enter

Thomson inherited an old forest, enclosed in 1831, and must have sensed the particular genius of the place. He established superb Oriental shrubs, often crawling with his gardeners on hands and knees through the thickets; we can now admire the matured results of his driven devotion.

Since 1981, the Plantation has enjoyed a second stroke of luck: Jane Braham left her career as an art-teacher in order to retrain as a parks gardener at the age of 38. The Isabella enchanted her and her artistic eye has maintained the singular spirit of the grove.

Today, park gardens are supposed to be "contractorised", but gardens with rare, and

unscheduled demands face difficulties which the old resident gardeners knew how to solve. The Isabella's gardening has always owed much to a double act and since 1990 it has been fortunate, too, that Braham's eye has been combined with the support and understanding of Mike Pitt, the present superintendent.

I pray that future superintendents recognise this exceptional responsibility and continue to restrain the urge to leave unwanted marks of their own years of office, degrading the garden's quality. Above the visitors' lower oak trees, enclosed in 1831. Underfoot, the soil varies between light sand and outcrops of the yellow clay which probably

accounts for the garden's name. An early map shows it as the Isabella Slade, "slade" meaning valley and "Isabella" meaning dirty yellow, a reference, surely, to the clay soil.

So often we are told that camellias must grow in a cool, damp root-run and that acid gardens on clay or sand are unlikely to be much good. The Isabella's camellias are never watered artificially but they have continued to flourish in the dry summers, even when the canopy of trees above them was thinned by storms.

They are looking marvellous now: rose-pink Inspiration, early pink Bow Bells and then exquisite white magnoliaeflora

which has never been happier, even in Cornwall.

At weekends, perhaps, the crowds will complicate heaven, especially as the Isabella is not a dog-free zone. Some people wonder if the imminent blaze of flower on the small Azaleas is too vivid for the setting; others, including myself think that here, in a green, deciduous glade, the strong colour is, for once, at home.

This weekend, you can enjoy the soft white and pinks and a marvellous Prunus incisa before the strong colour inflames the view: from late April to mid-May, you can see if you agree that this green glade can accommodate it.

The Isabella is run on a

strictly organic schedule which is important to Braham and somehow excludes weeds. It is also totally free of poisons.

Refitting a new Eden, it is also free of labels. I cannot help thinking that there is a marvellous chance for some corporate or philanthropic Adam to pay and assist in a phased programme of naming the rare and puzzling varieties which have flourished without full records in this paradise.

Sometimes, a garden troubles us by seeming over-busy, exhibitionist or out of keeping with the demands of its site. But this one takes you out of yourself with its rare combination of shapes and flowers.

Country Notes / Michael J. Woods

Bodies of evidence

There is a certain irony about the fact that zoologists are judging the recovery of one of Britain's rarer mammals by the number of corpses they find on our roads.

The polecat, a ferret sized animal in a dark coat with a white robber mask, was all but eliminated from Britain by 1915 because of gamekeepers' traps. It was relegated to a small area of west Wales where it regrouped ready to make a come-back.

As trapping declined so the polecat returned, recolonising most of Wales before crossing into England and spreading now as far east as Northamptonshire and as far north as the Lake District.

Not surprisingly for a mammal which has been heavily persecuted – so secretive that farmers with polecats living in their yards are generally unaware of their presence.

Generally, the only way to tell if polecats are around is by the corpses in the road. Dr Johnny Birk, who has studied the polecat for some years, has been monitoring the return of this native by using this rather macabre evidence.

From the dead animals he can also check their measurements, obtain study skins to check colour variations, analyse the contents of their guts to see what they have been eating and take tissue samples for rodenticide analysis. Polecats eating rats and mice which have been poisoned may suffer from the effects of the poison themselves.

Dr Terry Burke at Leicester University is also interested in road casualties, but this time badgers. He is studying the DNA of badgers throughout the country and, in order to do this, has volunteers collecting ears from dead badgers.

Each collector is provided with a safety razor blade and a test tube of alcohol into which the severed ear is placed before dispatch to Leicester. In areas where volunteers are numerous it now seems necessary to

check that a badger has both ears before detaching one in order to prevent duplication. It also pays to approach a road casualty badger with some circumspection in case it is still alive.

It is usually obvious if a hedgehog in the road is dead for they are generally squashed flat. They, too, are being surveyed, this time by Dr Pat Morris of the University of London. Again volunteers count dead hedgehogs during July, August and September and the interim results, collected over the past five years, are proving very interesting.

The average number of hedgehogs killed at that time of the year is between 2.8 and 3.8 per 100 miles. Three areas, the north-east, the East Midlands and East Anglia have consistently recorded the most hedgehog kills. The south-west has always come last.

It also raises the question as to whether or not some roads are simply too wide for hedgehogs to attempt to cross. Few, if any, hedgehog corpses are seen on motorways for instance.

A new survey by Mammal Action, the youth section of the Mammal Society, will add to this body of knowledge by counting mammal road casualties over the next six months, to count the numbers and locations of species which have been squashed on our roads. It is estimated that about 50,000 badgers are killed in this way every year but much less is known about other species.

The survey will record what has been run down and also where and in what habitat. It is not confined to young people, nor to members of the Mammal Society – anyone can take part and the more who do the better will be the results.

For details and a simple survey form, send an a/c to the Mammal Society (Road Casualty Survey), 15 Cloisters Business Centre, 6 Battersea Park Road, London SW8 4BG.

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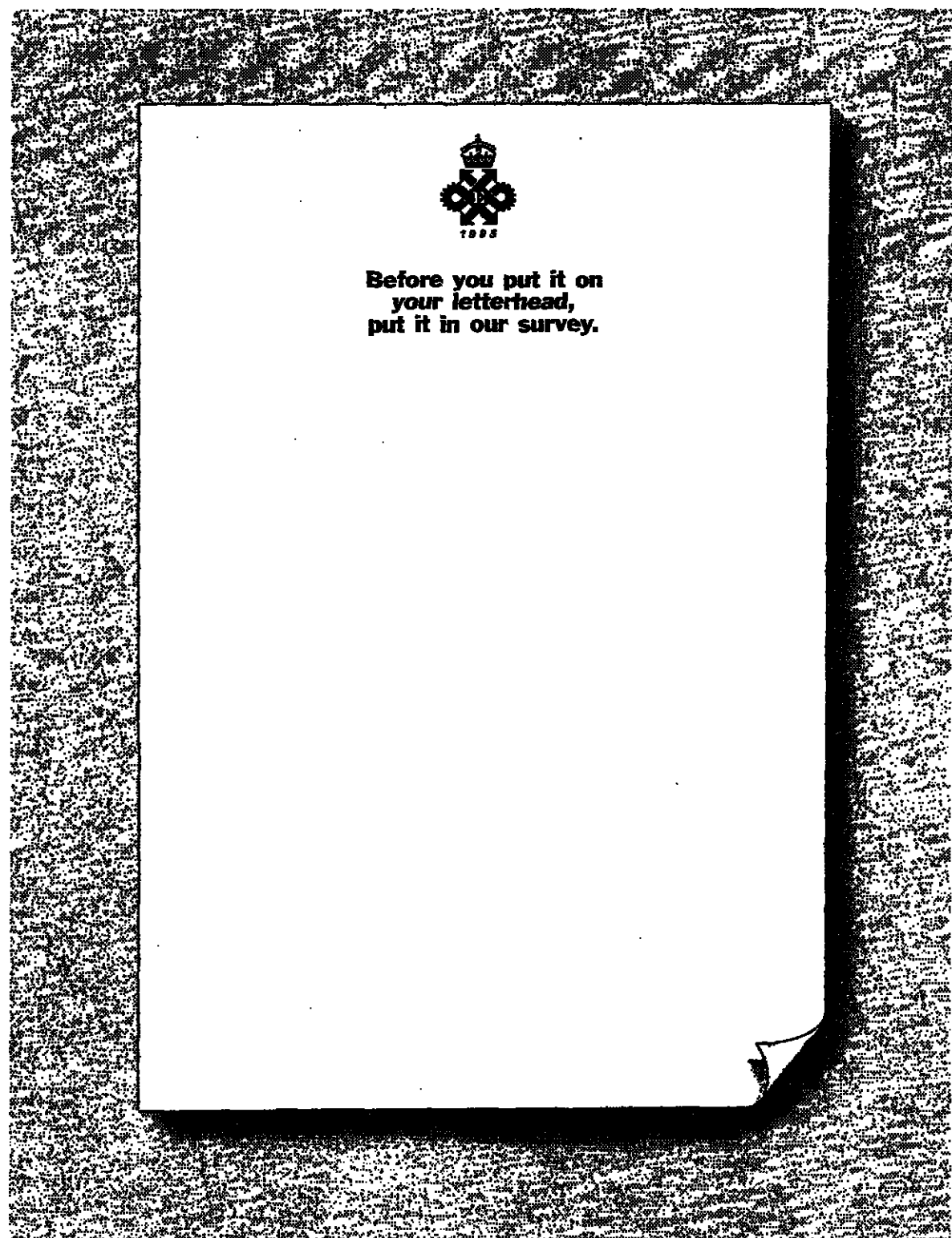
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"Cauliflower is nothing but a cabbage with a college education."
Mark Twain

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It will contain authoritative and entertaining articles from contributors, including our renowned, regular gardening writer, Robin Lane-Fox.
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No FT, no comment.

SPORT

Motor Racing/John Griffiths

Grand prix for 70,000 drivers

It was one of those classic, heart-stopping moments of motor racing: the two rivals locked side by side and the bend coming up, each determined to outbrake the other. Seconds later, the loser was off the tarmac, sliding across the grass. The victor, our grinning bus driver, was still five miles from Buenos Aires' Oscar Galvez grand prix circuit.

It is 14 years and one revolution since a grand prix had previously been held in Argentina, and last weekend's Formula One race proved that Argentines are still in love with motor racing, on the circuit as well as off.

The 2.64 mile circuit, where the legendary Juan Manuel Fangio first learned his trade, was almost filled to its 70,000 capacity, for an event imbued with an atmosphere of novelty and occasionally poignancy. The average wage is only \$240 (\$125) a month yet there was no shortage of enthusiasts willing to pay to attend, even though there were no concessions available on admission fees. Basic entry cost \$150, a grandstand seat a further \$350. For those who arrived in their 20-year-old Chevrolets and 30-year-old trucks converted to motor homes, the organisers arranged with banks and card companies for payment on credit, presumably in time to start again next year.

To European eyes, the car world is topsy-turvy in South America because of the odd liaisons between manufacturers which, over many years, coped with car import bans and other restrictive rules. Thus Volkswagen-badged Chryslers and Ford-badged Volkswagens jostled with Peugeots and Fiats, all locally produced, en route to what, for an entire generation, was their first grand prix.

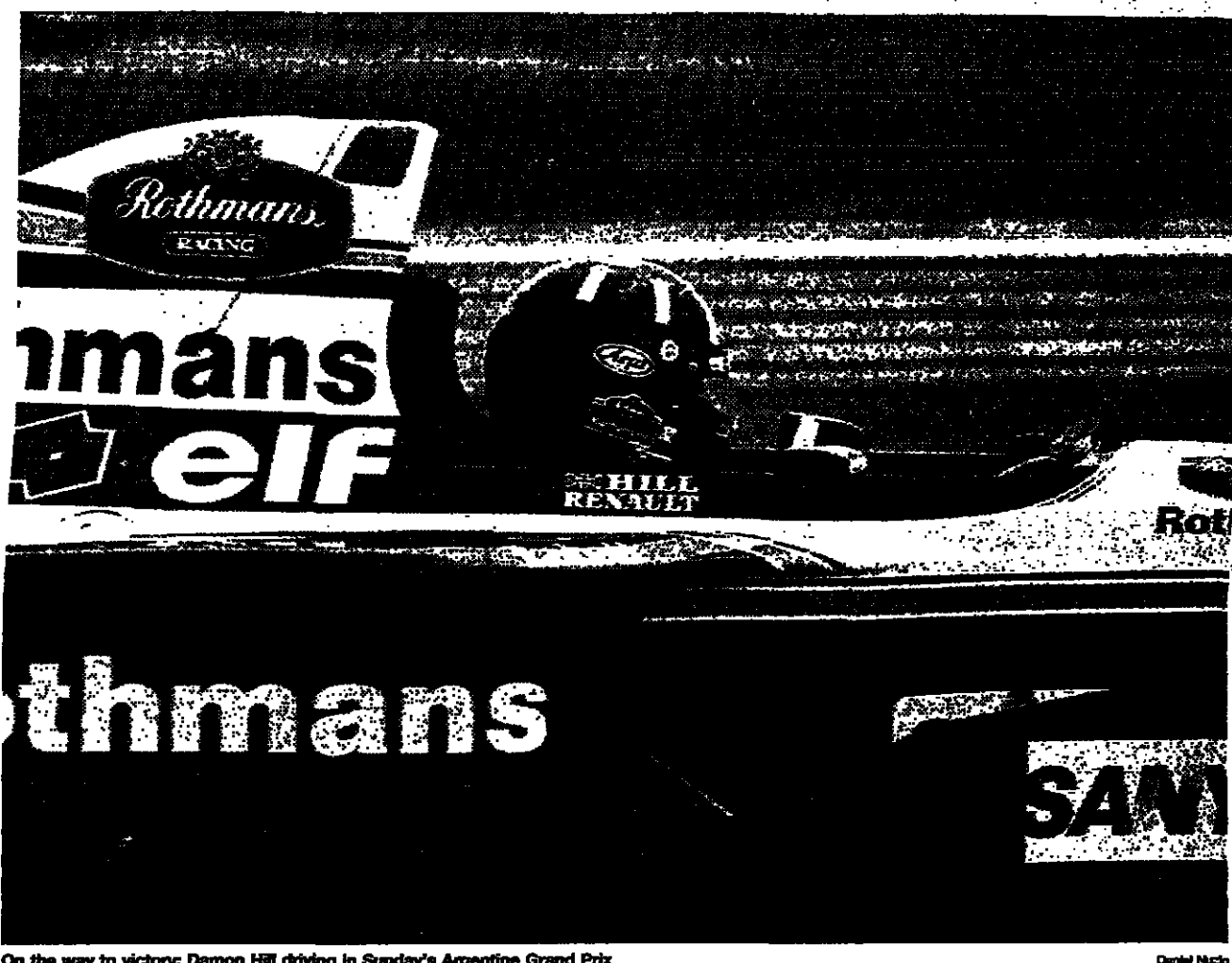
Half the cars were bedecked with stickers: most were ducking and diving in 1,000

bids to overtake - 950 more than were to be seen in the race. Together they made up an immense, well-behaved crowd (at least out of their cars). They remained disinclined to jeer when the white-napped and canopied world of the Paddock Club, hospitality sanctum of the sponsors, appeared about to be blown by gales and rain from its haughty perch above the pits.

Even after "Rubito" - Rubens Barrichello, the young Jordan-Peugeot driver from neighbouring Brazil who was the Argentinians' local hero, surrogate for the late Ayrton Senna - dropped out with a broken oil pipe, there was plenty of good-natured applause for the victory of the Briton, Damon Hill.

The grand prix itself was good only in parts, but that was almost irrelevant. It both impressed and excited the Argentinians. More importantly for the future of motor sport in the country, the Argentinians impressed the visitors. Their organisation and positive approach - including a more successful circuit renovation than their Brazilian neighbours' viciously bumpy Interlagos - impressed Bernie Ecclestone, the Formula One Constructors' Association boss. Impress Bernie and a would-be grand prix host organisation's problems are over. A few surprising rust spots show through after 14 years, but Ecclestone seems genuinely pleased. If the financial equations were in his favour, a return looks almost certain next year.

The teams, too, seemed impressed by everything except the wet weather. At breakfast time on race day in the Jordan-Peugeot pit, between fake apologies for the hard-fried bread - "the cook's still using last year's oil, not this year's Total!" - opinion of the narrow, tortuously winding but smooth track was



On the way to victory: Damon Hill driving in Sunday's Argentine Grand Prix.

mostly favourable. In Saturday's torrential rain Eddie Irvine and Barrichello had splashed their way to first and second in qualifying, although Irvine dropped to fourth on the grid. Like the other leading drivers Irvine knew the circuit intimately without ever having set eyes on it. Eddie Jordan, the team boss, explained: "We got an Ordnance Survey map of the track and blew it up. Then we

bought the telemetry [electronic data recording a car's progress round the track] from a local formula three team. That gave us the information on the general surface, bumps, bends and braking distances." Long before the Jordan-Peugeot was put on the aircraft for Buenos Aires, Irvine and Barrichello had driven the circuit and set up the cars - on computer simulation.

As a result, said Jordan, "we've not even had to change

a gear ratio". This was a grand prix of drama confined wholly to the track. No rumours swept the paddock of underweight cars, or over-weight drivers. Refuelling, still a source of gnawing safety anxiety among the teams, was achieved without incident. No political or disciplinary action followed the opening lap eight-car crash which, however, did so much to turn the last half of the race into a procession.

Only nine cars finished. Hill, the victor, was left to muse on the long lead opened up by Coulthard in the first dozen laps before a throttle problem brought about retirement. Jean Alesi, a delighted second, must be wondering whether his long, frustrating loyalty to Ferrari is at last about to be rewarded. The thoughts of the stone-faced Schumacher, more than 20 seconds adrift of Hill at the chequered flag, remained inscrutable.

CHESS

There is nothing like a sense of grievance for inspiring a chess player. Ever since he was smothered by Garry Kasparov at the Moscow Olympiad, Anatoly Karpov has been playing like a man dedicated to revenge. Karpov impressively beat Gelfand in their Fide semi-final, was a solid second at Linares, and this week won the annual Meridiano Amber tournament at Monaco.

The Monaco event has a peculiar format. The grandmasters meet once at blindfold chess, using a mouse on a computer screen to make their moves, and once at rapid chess with half an hour for each player on the clock.

Karpov did reasonably at blindfold, and won the rapid with 10/11, far ahead of the king of speed chess Vishy Anand. The combined tournament totals were Karpov 16/22, Anand 14/22, Ivanchuk 14, Kramnik 13, Kasparov 12, Pliet and Polgar 11, Shirov 10/11, with four others including Britain's John Nunn on 4.

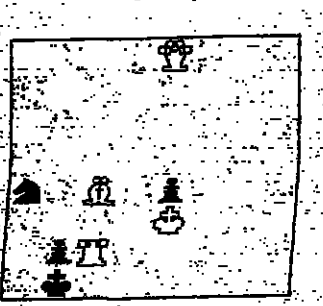
This week's game is from the final round at Monaco, and speaks eloquently of Karpov's ambition. Only the hungriest players go all-out when a tournament is won.

White mates in three moves, against any defence (By K. Larsen, 1942).

Bb2 c6 11 Be2 0-0 12 0-0 Nd7 13 Qb3 Re8 14 Rf1 a5 15 bxa5 Bxa5 16 a4 c5 17 Bb5 c4 18 Qe2 Re6 19 Bc3 Ra7 20 Bb1 Nb6 21 Ra2 Nc6 22 Ra2 Na5 23 Ne5 Qe7 24 Rf1 Bc3 25 f4 White's game is passive, so Shirov opts for a central strike. 26 e4 fxe5 27 exd5 exd4! If Re7 28 fxe5 White's rolling pawns offset a knight, but Karpov prefers his own sacrifice.

28 Bxa5 bxa5 29 dxe6 Bxe6 30 Qe4 Qd6 31 Re3 Bf7 32 f5 d3 Now Black has the unstoppable pawns. 33 fxe6 hxg6 34 Re4! 35 Rf1 Qd4+ 36 Qxd4 Re4+ 37 Kh1 c3 38 Bb3 Re7 39 Bb1 Ba2 40 Bc2a3. 40 Bb1 Bb3 is hopeless.

No 1070



White mates in three moves, against any defence (By K. Larsen, 1942).

Solution, Page XI

Leonard Barden

BRIDGE

This is a hand from rubber bridge:

N ♠ K 6 4 2
♥ A Q 6 2
♦ K Q 3
♣ A 8

W ♠ J 10 9 8
♥ 10 8 5 4
♦ 10 7 4
♣ 6 2

E ♠ 7 3
♥ J 7
♦ A 8 6 2
♣ J 10 9 7 3

S ♠ A Q 5
♥ K 9 3
♦ J 9 5
♣ K Q 5 4

At game all, South dealt and bid one no trump - slightly under proof - North bid two clubs, and after South's response of two diamonds jumped to six no trumps.

West led the spade knave. Winning with the ace, Declarer led a diamond to queen and ace. East returned spade seven to the queen. South had 11 tricks. One could come from a spade break (unlikely), or a heart break, or a major suit

squeeze. Making heart ace and king, on which East dropped the knave, declarer made his two diamond winners and the heart queen. In the five-card ending West held the 10 and 9 of spades, 10 of hearts and two low clubs, dummy held king, six of spades, six of hearts and the ace and eight of clubs. South held spade five plus and his four clubs. He cashed the ace and king of clubs, and the queen which followed caught West with no good discard.

Well played by South. But what about the defence?

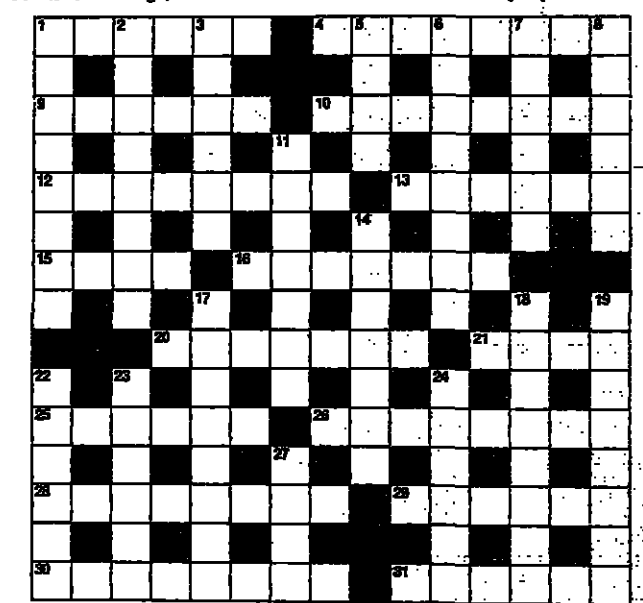
East should have defeated the contract. As South showed no four-card major, he has only 11 tricks. He must play for the major suit squeeze. East knows it will work. But the Rule of "N minus one" must apply. By taking the diamond queen East rectified the count. If he withholds his ace for two rounds, he destroys the timing and South goes down.

E.P.C. Cotter

CROSSWORD

No. 8,737 Set by CINEPHILE

A prize of a classic Pelikan fountain pen, inscribed with the winner's name for the first correct solution entered and five runner-up prizes of 135 Pelikan vouchers. Solutions by Wednesday April 26, marked Crossword 8,737 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday April 29.



Name: _____
Address: _____

ACROSS

- 1 Robber, one to talk about (6)
- 4 Sort of punishment for NCO (8)
- 9 Envoy dined on a joint first (6)
- 10 Marijuana and a hedging shrub attached to a mower (5,2)
- 12 Remote object no longer in circulation (6)
- 13 Stop and speak to a bill at a price (6)
- 15 Wild what should be sowed, say (4)
- 16 Make an allegation during insidious deprivation of freedom (7)
- 20 Firemen find a fly in the cheese (7)
- 21 In former days, not repeated (4)
- 25 Self-confidence exhibited by Monsieur Pablo (6)
- 26 International association's goods taken without their noticing (6)
- 28 Greedy fellow going to America (6)
- 29 Condition hardly responding to spur? (6)
- 30 Evidence of lawn aeration by (6)
- 31 Opposition spokesman's display in display (6)
- 1 White person has a barrier to confront (6)
- 2 Dress affairs, not innovative in fashion (6)
- 3 Irritable, and so on, in old solver's case (6)
- 5 Big bad character makes some progress (6)
- 6 Communication with street-car in seed case (8)
- 7 Strip from a bone, most of one (6)
- 8 Slackness is unknown among ordinary people (6)
- 11 A record in any case invites comparison (7)
- 14 It's obvious I should go into what happens (7)
- 17 A spasm following a little drink is striking (6)
- 18 Bold print with the cast (6)
- 19 Old mattress, where one may grow a sort of berry (6)
- 22 Cattle disease affected cod in the stomach (8,3)
- 23 Ingenious constant means of exerting pressure (6)
- 24 Change of heater? (6)
- 27 Kiss Boole's partner (6)

Solution 8,736

TEBYSIAE SCARED
I I O T
EGGSPON FRIGID
D N O M R N E
UNANIMOUS BERTHA
P L I H O G
K P G N O V N V
EVENING OUT
V H N E N P R
SCIENCE ADEQUATE
Y L A
OPIST COME GORE
N P T R A L L
ELEVEN SKILLETTS

Solution 8,735

BEWARE CALICOAR
O U V N R N E
H A R D I N T S H A R E
K R G A
TAPS CANISTER
E L R L P K
EXACTLY GARDIA
R O
WEIGHT CALICOAR
S B U I V P E
MASTERING ISLE
O B E R K C N
O R E T R O M A N C H
T O E A E A E R
HORRIBLY REMEDY

WINNERS 8,736: Betsy Crabtree, Peterborough; Don Eyles, Seabrook, Texas; H.M. Westley, Chatham; Frank Pembroke, Dublin; Elizabeth M. Paterson, Forster; Alfred L. Charles, Alderney.

S.M.

Cricket/Canute James

The champions are on the ropes



Boon celebrates catching Lara in Antigua on Sunday.

In the welter of hyperbole which has accompanied the current test series between Australia and the West Indies, there is only one bit which is worth serious consideration. Unofficial as the title is, the winner of the series can claim to be the cricket champions of the world.

In recent years, and with varying degrees of emphasis although with a few hiccups, both teams have swept all before them. The Australians are the most plausible challengers to the West Indians who have not lost a test series in 15 years. It is an enviable record, but one which has grown increasingly difficult to defend.

The West Indian performance so far in this series, and in the drawn series against India last year, suggests increasing vulnerability. Rather than embarrassing their opponents by the manner and regularity of their victories, the West Indians have settled for a less dramatic target: winning means not losing.

The Australians, even though they lost the better part of their pace attack before the first ball was bowled, are capable of defeating the West

Indians, as was clear in the emphatic victory in the first test. The series is a confrontation between the gritty and combative Australians and the brilliant but fickle West Indies. Overconfidence may well be a deciding factor.

It has been suggested that the series is a confrontation between Brian Lara and Shane Warne, the pin-ups of cricket. But this is a nonsense. On their day, each can win a match. But to limit this engaging series to a match between Lara and Warne, in spite of their proven brilliance, is to do an injustice to the other gifted players on both teams.

David Boon, Michael Slater and Mark Waugh would have found a place on any team in any era. Richie Richardson, Jimmy Adams and the too often inconsistent Carl Hooper are more than passingly competent. And in spite of Warne's proven record of embarrassing batsmen, his early forays against the West Indians proved less damaging than the second line Australian pace attack of Brendon Julian and Paul Reiffel.

The West Indies are still producing batsmen of quality. Even so they have had diffi-

culty getting a total over 250, falling for 195 and 189 in the first test.

While there is no denying the talent of West Indian test batsmen, and there are many knocking on the door, the same cannot be said of their fast bowlers. Walsh and Ambrose apart, the others cannot fill the shoes of Michael Holding, Joel Garner, Colin Croft, Malcolm Marshall and Andy Roberts who made up the formidable pace battery of the 1980s. While the concentration on pace was successful, it damped the appetite for any other form of attack. There is now no support for the troubled Ambrose or the over-worked Walsh. The promise of Ian Bishop has been frustrated by injury.

Overconfidence has been compounded by fatigue. While Lara and Courtney Walsh have played consistently well, the other West Indians look out of sorts. Curtly Ambrose is either unhealthy or unhappy.

West Indian supporters, players and administrators are already saying that it will take more than defeat by the Australians to deprive them of the title of best in the world. This is a dangerous argument. It

would be a shameful denial of the quality of the Australians' game. More seriously, it means West Indians are not reading the signs.

The West Indians have been playing too much cricket. After entertaining England a year ago, many of the players jumped immediately into the English county season, and then moved on to tour India. Afterwards it was a visit to New Zealand and back home for the current series. They are then in England next month to play six tests, another chapter in the seemingly unending global trek of the West Indies cricket team.

A one-day series in Australia will follow. The West Indians will be gasping for breath by the time the World Cup begins in February.

The West Indies are tired and even if they manage to come out on top in this current contest of cricket heavyweights, the Australians could have softened up the champions before their trip to England. The outcome of this next series may be determined less by Australia's performance than by fatigue and the damage the Australians do in the current series.

Motoring/Stuart Marshall

Crash course

Chief Inspector Longden of Greater Manchester Police was cruising in a Range Rover on a motorway inside lane. When the TV interviewer asked for his opinion of driver behaviour, his eyes continued to flick constantly from road ahead to mirror and back again; never at the wide angle lens that must have been inches from his face.

With the air of a man who has seen it all - as he undoubtedly has - he summed it up like this: "A driving licence is not a right but a privilege. An awful lot of people with their licence shouldn't even have a radio licence."

Technical improvements, he went on - things such as seat belts, air bags, better suspensions and brakes - had made cars so much safer that 100 miles an hour was nothing to a modern one. But the human brain had stood still.

That was his explanation for the outrageous and barmy behaviour of all too many drivers on our roads and motorways. Such as, for instance, the trio of heavy lorries seen on

camera overtaking him in the middle lane. They were following each other so closely that two out of three of their drivers could have seen nothing more than the tailboard of the wagon in front. From which it followed they would have been incapable of avoiding a multiple collision if traffic had suddenly slowed for any reason.

And the 33-year-old woman who was so bored with driving herself from Manchester to London three times a week she took to doing crossword puzzles. When she progressed to solving numerical puzzles, she used a calculator strapped to her left thigh.

"I wonder what a Coroner would have made of that," the chief inspector mused.

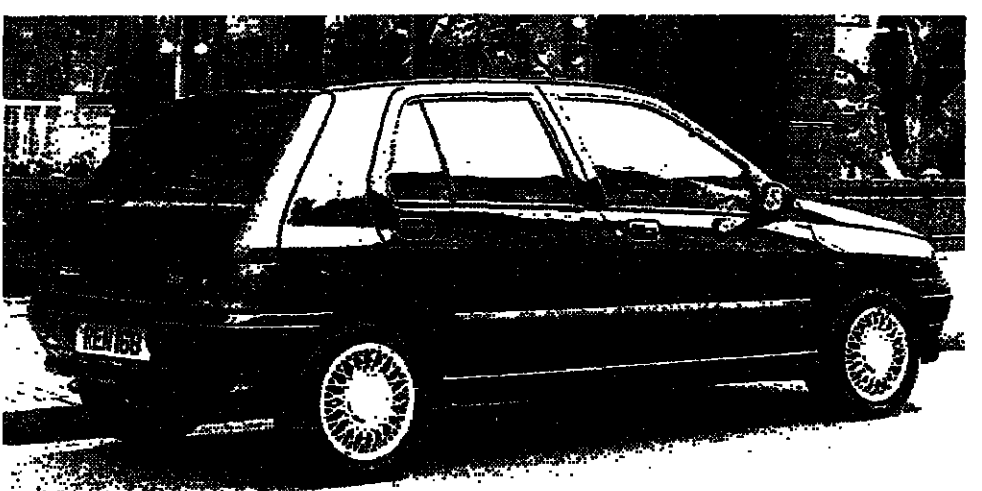
Then there was the impatient motorist. Stuck in the middle lane in a motorway tail-back, he turned sharply left. His car was instantly struck by a speeding motorcyclist coming up on the inside lane. Like a human cannon ball at the circus, the rider was catapulted over the car.

A Vauxhall Cavalier, caught by a surveillance camera spin-

ning for no obvious reason on a wet motorway, hit the central barrier, recovered, and went on his way. Behind him, a swarm of vehicles - many following each other too closely - panic-braked. They piled into one another. He drove on. The police never caught up with him.

Off the motorway, the young mother of four was driving an aged Metro. In the back, a toddler was not just unrestrained but actually standing up between the front seats. When the traffic policeman stopped her and pointed out that her child could go straight through the windscreen if the Metro had a collision, she appeared not to understand what he was talking about.

All this, and a lot more, is on "A is for Accident", a Channel 4 video on sale from April 24 at £10.99. Most of the footage was shot from police cars or static surveillance cameras. Anyone - driver, rider or pedestrian - caught doing something stupid and potentially lethal on the highway should be made to watch it over and over again until the message sinks in.



Small and easy to park

I had almost persuaded myself that medium to large cars were just as easy to use in towns as small ones. Parking bays are all the same size and there is not much chance of parking on-street, even in the small country town where I live.

And then I drove a Renault Clio Baccara. Everything changed. The power-steered Baccara slipped into tiny kerbside spaces I usually have to ignore.

A 1.8-litre, 90 horsepower engine driving through a smooth four-speed automatic transmission made it nippy at the traffic lights but sensible gearing ensured motorway cruising was relaxed. Fuel consumption was around 35mpg (8.07l/100km). The ride was comfortably shock-absorbent though the tyres thumped

a bit on expansion joints.

The Baccara is one of those rare animals; a small car fitted as standard with all one could reasonably ask for except for ABS brakes - £650 extra - and air conditioning. But it does have a driver's airbag, pleasantly yielding leather trimmed seats, heated and power-adjusted mirrors, remotely controlled security system, power-operated sunroof, alloy wheels and even a concealed zip-fastened compartment under the rear parcel shelf.

There is not much room in the back and luggage space is modest; this is, after all, a small car. But the split-fold rear seat allows bulky things to be carried. Price is £14,390.

150 من الاجل

INTERNATIONAL ARTS GUIDE

What's on in principal cities

AMSTERDAM

CONCERTS

■ Het Concertgebouw Tel: (020) 671 8345
Royal Concertgebouw Orchestra: with soloist Natalia Gutman. Evgeny Svetlanov conducts Shostakovich and Tchaikovsky; 8.15pm; Apr 20, 21

GALLERIES

■ Gemeentearchief Amsterdam Tel: (020) 572 0202
Mahler in Amsterdam: exhibition on the life and works of Mahler with manuscripts, letters, scores and films; to Jun 11
■ Jewish Historical Tel: (020) 626 9945
Taking a Stand: exhibition shows the work of two artists, Ralph Prins and Felix Nussbaum to commemorate the 50th anniversary of the Liberation. Nussbaum was killed in Auschwitz and Prins was a survivor of the Theresienstadt camp; to May 7
■ Rijksmuseum Tel: (020) 673 21 21
■ The National Liberation Dress: commemorative handwork marking the 50th anniversary of the Liberation; from Apr 22 to Jun 18
■ UICYO-E: the finest Japanese prints; to May 28

BALTIMORE

CONCERTS

■ Symphony Hall Tel: (410) 783 8000
Baltimore Symphony Orchestra: with conductor and violinist Pinesha Zukerman to play an all Mozart programme; 8.15pm; Apr 20, 21

OPERA/BALLET

■ Lyric Opera House Tel: (410) 727 8000
Manon Lescaut: by Puccini. A Baltimore Opera presentation conducted by Joseph Rescigno and directed by James de Blasis. Soloists include Barbara Daniels, Elizabeth Byrne and Patryk Wroblewski; 8.15pm; Apr 22

THEATRE

■ Center Stage Tel: (410) 685 3200
Hannah Senesh: written and directed by David Schechter, music composed and arranged by Steven Lutvak. An adaptation of diaries and poems by an Hungarian Jewish woman in Nazi occupied territory; 8pm; to Apr 23 (Not Mon)

BERLIN

GALLERIES

■ Altes Museum Tel: (030) 203 55 0
Munch and Germany: exhibition of early works by Norwegian artist Edvard Munch and German artists influenced by him; to Apr 23
■ Deutsche Historische Tel: (030) 215 020
■ Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the German Democratic Republic; to Apr 18
■ Pictures and References to German History: exhibition with more than 2,000 paintings, coins and other documenting the history of Germany; to Dec 1 (Not Sun)
■ Kunstgewerbemuseum
Contrasts in 20th century German design; to Dec 1
■ Neue Nationalgalerie Tel: (030) 2662 653
George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17

OPERA/BALLET

■ Deutsche Oper Tel: (030) 34384-01
■ Carmen, Flamenco: guest performance by the Ballet Teatro Espanol of Rafael Aguilar; 8pm; Apr 19, 20, 21, 22
■ Magic Flute: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Apr 16
■ Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauerfeldt; 7pm; Apr 17
■ Onegin, Flamenco: guest performance by the Ballet Teatro Espanol of Rafael Aguilar; 8pm; Apr 19, 20, 21, 22

THEATRE

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BONN

GALLERIES

■ Kunst- und Ausstellungshalle Tel: (0228) 9171 236
■ Agnes Hegedüs: Between the Words; to May 7
■ Russian Museum of St Petersburg: third in the Great Collections series. The museum in St Petersburg houses a collection of 500,000 works from which 500 have been selected to represent 500 years of Russian art and culture; to Aug 13 (Not Mon)
■ Under the Volcano Antique Masterpieces: second in the Great Collections series, this exhibition represents an "excavation" from the 200,000 works of the Museo Archeologico Nazionale di Napoli, including statues, frescoes and ceramics; to Jun 5 (Not Mon)

BRUSSELS

CONCERTS

■ Beaux-Arts Tel: (02) 507 82 11



St Laurence by the miniaturist Neri de Rimini from the exhibition at the Fondazione Cassa di Risparmio di Rimini in Rimini

Symphony Orchestra of the Monnaie: Antonio Pappano conducts Beethoven's "Symphony No. 1" and "Symphony No. 6"; 8pm; Apr 18

CHICAGO

GALLERIES

■ Chicago Art Institute Tel: (708) 899 9800
Gustave Caillebotte: exhibition of 117 works by the "Urban Impressionist". The show moves to the Los Angeles County Museum of Art in June; to May 28

DUSSELDORF

GALLERIES

■ Kunsthalle Düsseldorf
Surrealism in Spain: 200 paintings, sculptures, drawings and photomontages by Dalí, Miró, Picasso etc. The exhibition looks at the roles played by regions of Spain in the development of the surrealist movement and includes many works that were concealed during the Spanish Civil War; to Apr 17

FRANKFURT

OPERA/BALLET

■ Alte Oper Tel: (069) 1340 400
Gräfin Mariza: by Kálmán. Premiere of the Budapest Opera Theatre production; 8pm; to Apr 22

GENEVA

CONCERTS

■ Victoria Hall Tel: (022) 311 25 13
Swiss Romande Orchestra: with pianist Gerhard Oppitz. Michel Tabachnik conducts Mahler, Bartók and Varèse; 8.30pm; Apr 20
■ Art et Histoire Tel: (022) 311 43 88
Icons: the Mavromichalis donation; to May 7
■ Centre d'Art Contemporain Tel: (022) 329 18 42
Tony Oursler: installation by the artist; to May 28

LILLE

THEATRE

■ La Métaphore Tel: 20 40 10 20
■ Hated Nightfall: written and produced by Howard Baker. In English with French subtitles; from Apr 18 to Apr 22
■ Wax: The Secret Life of Madame Tussaud. By Lavinia Murray, produced by Anna Fuse. In English; to Apr 22

LONDON

CONCERTS

■ Barbican Tel: (0171) 638 8891
■ City of London Sinfonia: with soloists Rosa Mannon, Sally Burgess, Matthew Best and the Holst Singers. Harry Christophers conducts Bach's "Magnificat" and Mozart's "Requiem"; 7.30pm; Apr 18
■ London Classical Players: Roger Norrington conducts cellist Yo-Yo Ma, fortepianist Robert Levin and violinist Ernest Kovacs to play Brahms and Beethoven; 7.30pm; Apr 17
■ Nashville Strings: cellist Yo-Yo Ma is joined by Nashville based double bassist Edgar Meyer, and violinist Mark O'Connor in an exploration of the common ground between their different musical backgrounds; 7.30pm; Apr 16
■ Purcell Room Tel: (0171) 928 8800
■ Finnish and Latin American Music: the Jam Quartet, an ensemble of guitars from Finland combine Nordic and Latin rhythms in a programme that includes Piazzolla and Brouwer; 7.30pm; Apr 18
■ Rafael Riquent: London debut of the flamenco guitarist; 7.30pm; Apr 19
■ Royal Festival Hall Tel: (0171) 928 8800
■ Royal Philharmonic Orchestra: Yuri Temirkanov conducts Shostakovich's "Symphony No. 1"

and Tchaikovsky's "Symphony No. 5"; 7.30pm; Apr 22
■ The London Philharmonic: a concert performance of Gilbert and Sullivan's "Iolanthe". With conductor Roger Norrington and includes soloists Alison Hagley and Sarah Walker; 7.30pm; Apr 19
■ Yakov Kreizberg: conducts the Bournemouth Symphony Orchestra and pianist John Lill to play Debussy, Stravinsky, Krenek and Beethoven; 7.30pm; Apr 20

■ Barbican Tel: (0171) 638 8891
Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. More than 200 works by more than 100 artists including Degas, Rothstein and Whistler; to May 7

■ British Museum Tel: (0171) 638 1655
Byzantine: treasures of Byzantine art and culture from British collections; to Apr 23

■ Hayward Tel: (0171) 261 0127
Yves Klein: more than 110 works conveying the full range of Klein's output from paintings and sculpture to installations, events, architectural schemes, stage and film scenarios; to Apr 23

■ National Gallery Tel: (0171) 839 3321
Spanish Still Life: from Velázquez to Goya. Exhibition of 16th-17th century Spanish paintings; to May 21

■ Royal Festival Hall Tel: (0171) 928 8800
After Auschwitz: exhibition of paintings, sculpture and photography produced by 21 artists in response to the Holocaust; to Apr 17

■ Tate Tel: (0171) 887 8000
■ British Sporting Art: focuses on the flourishing of sporting and animal painting in Britain from around 1720 to 1850; to Jul 2

■ William de Kooning: more than 70 paintings drawn from private and public collections worldwide; to May 7

■ Whitechapel Gallery Tel: (0171) 522 7888
■ Kika Smith: works from the past three years by the artist; to Apr 23

■ New Art from Cuba: works by contemporary artists from Cuba; to Apr 23

■ Opera/Ballet
■ English National Opera Tel: (0171) 632 8300
Don Giovanni: controversial new production of Mozart's opera. In house debuts for director Guy Joosten and conductor Markus Stenz; 6.30pm; Apr 15, 20, 22

■ Royal Opera House Tel: (0171) 304 4000
■ Peter Grimes: by Britten. Directed by Elijah Moshinsky, conducted by Edward Downes; 7.30pm; Apr 19, 22

■ The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival" at the Royal Opera; 7.30pm; Apr 15 (7pm), 20

■ Theatre
■ Aldwych Tel: (0171) 836 6404
Indian Ink: by Tom Stoppard. With Felicity Kendal, Margaret Tyacke and Art Malik; (Not Sun)
■ Apollo Shaftesbury Tel: (0171) 494 5070
In Praise of Love: by Terence Rattigan. Directed by Richard Olivier, this comedy is based on the relationship between Rex Harrison and his wife, With Peter Bowles and Lisa Harrow; 8pm; (Not Sun)
■ Cockpit Tel: (0171) 402 5081
The Yiddish Trojan Women: by Carole Braverman, directed by Hettie Macdonald. Comedy about four American Jewish women; 8pm; to Apr 23 (Not Sun)

■ Criterion Tel: (0171) 839 4488
My Night with Reg: by Kevin Elyot, directed by Roger Michell. A meeting of old college friends; 8pm; (Not Sun)
■ Gielgud Tel: (0171) 494 5065
Design for Living: by Noel Coward and directed by Sean Mathias;



Young Man at his Window from the Gustave Caillebotte exhibition in Chicago

8pm; (Not Sun)

LOS ANGELES

GALLERIES

■ County Museum Tel: (213) 857 8000
American Impressionism and Realism: The Painting of Modern Life. Two important turn-of-the-century movements in US painting. Artists include John Singer Sargent, Mary Cassatt and Childe Hassam; to May 24

MADRID

GALLERIES

■ Fundación Colección Thyssen-Bornemisza Tel: (91) 420 38 44
André Derain: approximately 70 paintings representing Derain's different artistic periods; to Jul 10
■ Fundación Juan March Tel: (91) 435 48 40/435 42 40
Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21
■ Prado Tel: (91) 420 28 38
■ Sebastiano del Piombo: Venetian born artist of the Italian Renaissance and his influence on Spanish painting during the 16th and 17th centuries; to Apr 30
■ Zurbarán: Jacob and His Twelve Sons; to Apr 30

MUNICH

GALLERIES

■ Bayerische Staatsgemäldesammlungen Tel: (089) 23 80 50
■ Hans Memling: Johannes and Veronika; to Jun 11
■ Henri de Toulouse-Lautrec: posters; to Apr 30
■ Bayerisches Tel: 0 89 211 24 216
The Golden Knight: an example of medieval goldsmiths work from Paris; to Apr 20
■ Haus der Kunst Deutsche Romantik: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their cultural and political impact on later German artists; to May 1
■ Villa Stuck Tel: (089) 45 55 51 0
■ African Seating: exhibition of traditional African arts, mostly from

of the Kilenge people from the north west coast of New Britain, east of New Guinea; to Jul 28
■ Museum of Modern Art Tel: (212) 708 9480
■ Helen Chadwick: Bad Blooms: the English artist's most recent photographic series comprising 13 large photographs of flowers in a variety of viscous liquids; to Jul 1
■ Kandinsky: Compositions: exhibition featuring around 40 works including seven of the surviving 'Composition' paintings; to Apr 25

OPERA/BALLET

■ Metropolitan Tel: (212) 362 6000
■ Parsifal: by Wagner. Produced by Otto Schenk, conducted by James Levine; 8.45pm; Apr 19, 22 (12.00pm)

■ The Ghosts of Versailles: by Coniglio. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 15, 18, 21

THEATRE

■ Joseph Papp Public Theatre Tel: (212) 598 7150
The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman plays g Shylock; 8pm; (Not Mon)
■ Roundabout Theatre Company Tel: (212) 689 8400
A Month in the Country: by Ivan Turgenev and starring Helen Mirren; 8pm; to Jun 4 (Not Mon)
■ Variety Arts Tel: (212) 239 6200
Death Defying Acts: one act plays by Woody Allen, David Mamet and Elaine May. Directed by Michael Blakemore and with Linda Lavin, Debra Monk and Paul Guilfoyle; 8pm; (Not Mon)

PARIS

CONCERTS

■ Châtelet Tel: (1) 40 28 28 40
Orchestra of the Deutsche Oper Berlin: with pianist Elena Bashkrova, soprano Alessandra Marc and mezzo-soprano Uta Priew. Daniel Barenboim conducts Beethoven's "9th Symphony"; 8pm; Apr 21
■ Champs Elysées Tel: (1) 4952 5050
National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky; 8.30pm; Apr 20

■ Salle Pleyel Tel: (1) 45 63 88 73
Radio France Philharmonic Orchestra: with Birgit Remmert and Bryn Terfel. Richard Hickox conducts Mendelssohn; 8.30pm; Apr 21

GALLERIES

■ Centre Georges Pompidou Tel: (1) 42 77 12 33
■ Constantin Brancusi: first French retrospective of the Romanian born sculptor and painter who spent 50 years in France with 103 sculptures, 38 drawings and 55 photographs; to Aug 21
■ Louise Bourgeois: retrospective of drawings; to Apr 17
■ Musée Cernuschi Tel: (1) 45 63 50 75
Japan, Teates and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; to May 14 (Not Sun)
■ Musée d'Orsay Tel: (1) 4549 1111
James McNeill Whistler: exhibition of works; to Apr 30
■ Musée du Petit Palais Tel: (1) 42 65 12 73
Carthage: history, its impact and resonance; to Jul 2

OPERA/BALLET

■ Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
■ Iphigénie en Tauride: by Gluck. Conducted by Gersende Jenkins, produced by Achim Freyer. Soloists include Carol Vaness, Anthony Michaels-Moore and Keith Lewis; 7.30pm; Apr 18, 20, 21
■ Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conducts the Orchestra and Chorus of the Paris National Opera; 7.30pm; Apr 16 (3pm), 20

THEATRE

■ Petit Odéon Tel: (1) 44 412 36 36
Cat and Mouse (Sheep): written and directed by Gregory Motton, a satirical look at England. The first in a season of plays in English; 6.30pm; to Apr 23

PRAGUE

GALLERIES

■ Old Royal Palace Tel: (2) 3337 2272
Antony Gormley's "The European Field": under the instruction of Gormley, thousands of clay figures made by locals and friends in the Swedish town of Ostra Grevie are placed in a field; to Apr 30

RIMINI

GALLERIES

■ Fondazione Cassa di Risparmio di Rimini Tel: (0541) 701206
Neri da Rimini: exhibition of works by one of the earliest and most significant miniaturists. Includes pages and manuscripts not previously seen in public; to May 28
■ San Francisco GALLERIES
■ de Young Museum Tel: (415) 863 3330
Monet: paintings of Monet's garden in Giverny from the Musée Marmottan. An exhibition of 22 works created between 1903 and 1926; to May 29

OPERA/BALLET

■ San Francisco Ballet Tel: (415) 865 2000
■ Programme Seven: includes "Bagaku" with music by Toshio

Mayuzumi, choreography by George Balanchine; 8pm; Apr 18, 20, 21
■ Programme Six: includes the premiere of "Tomasson" with the music of Rachmaninov choreographed by Helgi Tomasson; 8pm; Apr 19, 22

THE HAGUE

GALLERIES

■ Gemeentemuseum Tel: (070) 3388 1111
Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; to Apr 30
■ Museum Paleis Lange Voorhout Tel: (070) 3381 111
■ Piet Mondrian (1872-1944): another exhibition on the anniversary of Mondrian's death; to Apr 30
■ Russian Avant-Garde: more than 70 works from the Abram Chudnovsky collection that includes work by Malevich and Larinov; to Apr 23

VIENNA

CONCERTS

■ Gesellschaft der Musikfreunde Tel: (1) 505 13 63
■ Budapest Festival Orchestra: with pianist András Schiff. Ivan Fischer conducts Bach, Bartók and Beethoven; 7.30pm; Apr 18
■ Gustav Mahler Youth Orchestra: with soprano Helen Donath. James Judd conducts Mahler and Schoenberg; 7.30pm; Apr 19

GALLERIES

■ Künstlerhaus Tel: (1) 587 96 66
Buddha in India: exhibition charting the development of early Indian art from the Maurya dynasty 320-185 BC to the fifth century Gupta period; to Jun 15
■ Kunst Haus Wien Tel: (1) 712 04 81
Jean Dubuffet: retrospective with more than 140 works; to Apr 30
■ Kunstforum Bank Austria Tel: (1) 711 91-57 31
Neorealism: 100 paintings and graphics by the likes of Franz Leher, George Jung and Ernst Nepo; to Jun 11

OPERA/BALLET

■ Wiener Kammeroper Tel: (1) 512 01 00
Quattro Rusteghi: by Wolf-Ferrari. Musical comedy directed by Boris Pokrovskij and conducted by Wen-Pin Chen; 7.30pm; Apr 15, 19, 22

WASHINGTON

CONCERTS

■ Kennedy Centre Tel: (202) 467 4600
■ National Symphony Orchestra: with conductor/violinist Iona Brown plays Strauss, Haydn, Vaughan Williams and Mozart; 8.30pm; Apr 15, 18 (7pm)
■ National Symphony Orchestra: with conductor/violinist Iona Brown plays Mozart, Bach, Barber and Handel; 8.30pm; Apr 20, 21, 22

GALLERIES

■ Corcoran Tel: (202) 638 3211
■ Passionate Visions of the American South: Self Taught Artists from 1940 to the Present. Approximately 220 paintings and sculptures by 50 self taught southern artists who are influenced by their communities, traditions and materials readily available to them; to May 7
■ Pedro Meyer: Truths and Fictions, A Journey from Documentary to Digital Photography. A combination of traditional street photography and photojournalism with digital imaging techniques; to May 15
■ National Gallery Tel: (202) 737 4215
■ Claes Oldenburg: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
■ The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th century Venetian artists. Including paintings, drawings, pastels, prints, illustrated books and sculptures and artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23
■ National Museum of Women in the Arts Tel: (202) 783 5000
Sogonisa Anguissola (1532-1625): a Renaissance woman. First US showing of 24 works; to Jun 25

OPERA/BALLET

■ Arena Stage/Kreger Theater Tel: (202) 554 9066
What the Butler Saw: by Joe Orton, directed by Joe Dowling; 7.30pm; to May 28 (Not Mon)
■ Kennedy Centre Tel: (202) 467 4600
Dance Theatre of Harlem: changing programme including Washington premieres of "Prodigal Sun," "Signs and Wonders" and "The Joplin Dances"; 8pm; to Apr 23

THEATRE

■ Ford's Theater Tel: (202) 347 4833
Nunsense 2: written and directed by Dan Goggin; 7.30pm; (Not Mon)
■ Kennedy Centre Tel: (202) 467 4600
Laughter on the 23rd Floor: Neil Simon's play set in the 1950's heyday of television comedy; 7.30pm; to Apr 23 (Not Sun)
■ Roundhouse Theater Tel: (301) 933 1844
Escape from Happiness: by George F. Walker, directed by Daniel DeLaey; 8pm; to Apr 16 (Not Mon)
■ Studio Theater Tel: (202) 332 3300
Rhinceros: by Ionesco. Joy Zimnon directs the absurdist comedy; 8pm; to Apr 16 (Not Mon)
■ Washington Shakespeare Company Tel: (703) 418 4808
A Streetcar Named Desire: by Tennessee Williams. Christopher Henly directs; 8pm; to Apr 15



Peter Aspdon

A night at the worst show in town

The latest production of Don Giovanni failed to live up to its promise of a descent into opera hell

There is something richly compelling about going to see the worst show in town. You know you are in for a singular experience when critics start wheeling out terms such as "woeful", "desperate", "disaster". Unfortunately, you have already bought your (expensive) tickets, and the waves of vitriol mean that only a day-tripper from outer space would countenance taking them off you. Tough luck - you, gentle FT reader, know the law of the markets, and you are in possession of the coldest tickets around.

The event approaches. Word of mouth has it that the critics are spot on. You announce to your best friends that you have tickets for

this evening of fiasco, and a warm, compassionate look comes across their faces. There is no alternative but to try and enjoy it: revel in the awfulness, get drunk in the interval, look forward to the booing, go home. In the years to come, it will acquire a cultish reputation, and you can stand proudly and declare that you were there.

It was in such a spirit that I approached the English National Opera's latest production of *Don Giovanni*, which had mild-mannered reviewers unanimously (almost) baying in protest on opening night. Sure enough, the hapless optimists clutched round the main entrance holding up their "spare" tickets looked as despondent as the *Big Issue* sellers round

the corner, but guiltier, for they knew that you knew, but no one was telling.

Inside, all was muted, with expressions ranging from downright gloomy to that wry, semi-ironic, tight-lipped smile which the English employ to denote a sense of impending suffering. Only the tourists looked happy, but then they were on a day trip from outer space, and were actually looking forward to their evening.

Once in our seats, it seemed the house management was bravely (foolishly?) playing tricks with us, delaying the start for "technical reasons" without so much as a word of explanation until curtain-up. Someone started a slow hand-clap, but the rest of us were

too tense with anticipation to join in. I looked into the orchestra pit and I swear one of the cellists winked at me. The auditorium was getting unbearably hot. We knew the evening would end in hell, but this was an unwelcome hint of things to come.

And then it started. And then it finished. And it really was not too bad at all. Some very impressive singing, some good jokes, a few weird ideas which did not really work, a decent enough descent into hell-fire and a strikingly post-modern finale which I found quite amusing. The audience, part-relief, part-genuine appreciation, applauded lustily. The singers looked happy, the cellist, I think, winked at me again.

Well, as an excursion into the strange aesthetic twilight zone of so-bad-it's-good experiences, the evening was an utter failure. I was happily disappointed; but it did make me wonder what so provoked the ire of those distinguished reviewers. The performance must, undoubtedly, have been tightened up and improved immeasurably as a result. On re-reading some of their remarks on this late 18th century masterpiece, however, I did question whether the Mozart after which they basked was really capable of delivering the goods in our own bewildering *fin-de-siècle*.

The success of this extraordinary composer's comic operas depends on their ability to work on several levels at once. But these days it is

hard to find a sympathetic response to the ludicrous three-some who pursue the promiscuous anti-hero throughout *Don Giovanni*. Donna Elvira, rest assured, would go straight to the tabloid press with her story; Donna Anna would bleat on about her depression with a celebrity agony aunt on GMTV; as for that drip, Don Ottavio, he would whinge interminably about the need for a privacy bill.

These people, all puffed-up earnestness and moral indignation, can surely only be played for laughs in today's farcical moral climate. Just ask the 1,000 members of Her Majesty's Government who have been caught with their breeches slack round their ankles.

Private View / Christian Tyler

Novelist of a slightly broken world

Kazuo Ishiguro, author of *Remains of the Day*, talks about how and why he writes

More people know Martin Amis for his mid-life crisis and his £500,000 advance than for his books. More know Salman Rushdie for his death sentence than for the words he penned to earn it. If people know Kazuo Ishiguro, it is for his writing - or not at all.

Ishiguro is the quiet man of his generation of serious English novelists and - word for word - probably the most successful.

He has written only four novels in 15 years. The first three won literary prizes (*Remains of the Day* landed the Booker and became a successful film). His latest, *The Unconsoled*, which is bigger, more surreal and more difficult than the others, will be published next month.

It was thanks to the new book that, after a wait of several years, I was finally permitted to interview the reclusive writer. I met him in his new, large and unremarkable north London house with his Scottish wife Lorna and their bouncy, three-year-old daughter Naomi.

There, amid the remains of Naomi's birthday party, I discovered that the author's shyness is more professional than personal. He talked uninterrupted for nearly two hours. Among other things, he told me that his first ambition was to be a rock star.

You and 25,000 others, I said. He laughed an apologetic laugh. "I was better than the 25,000 others."

Ishiguro plays the piano and guitar and in those days saw himself as a modestly sensitive singer-songwriter. "My dream would have been to become a Dylan or something."

He wrote more than 100 songs, performed at folk clubs round his school in Guildford and learned early about the rejection slip. He described hawking his demo tapes round the music publishers in London. "They would listen to them for 15 seconds and say: 'Hideous! Don't like it. Mate. Get out!'"

And the writing? "Like a lot of jobs, I drifted into it. This sounds very blasé, I know," he said, "because thousands are trying to become published writers. It sounds bad." He laughed again. "But it wasn't necessarily what I wanted to do."

Kazuo Ishiguro has had a charmed career since he was spotted by Faber while doing an MA course in creative writing at the University of East Anglia. He had applied for the course not to become a big writer but to relax after one of several tough spells as a social worker among down-and-outs.

Since then, he had been allowed to inhabit "some sort of funny little bubble" and was required to produce words only when he was ready. He added: "Because, you know, I'm not a very inspired person. I don't have a lot of ideas."

This writer is a dark horse. He is not as bland as his elegant English modesty, self-mocking laugh, open countenance and understated prose style suggest. Hoping for a clue to the strange tension that runs below the surface of his books, I asked Ishiguro what makes novelists choose their odd occupation.

"What we have in common, perhaps, is some lack of equilibrium way back. I won't say writers are crazy people because I don't care for stereotypes. But something is sufficiently out of line in their structure as people."

"It may be a consolation for something that got broken. The activity of recreating the world on the page, finding alternative worlds, is a way of trying to fix that thing or caress that wound... a wound that will never heal."

Did anything get broken in your life?

"There was no obvious unhappiness, no obvious trauma. I think I had a very happy childhood. My life isn't very messy in the normal sense of the word... I still have the same wife, same publisher, same agent. There is no trauma, no violent edge to my need to write."

No feeling of pressure?

"I'm beginning to see as I get older that my leaving Japan at the point when I did was, in complicated ways, a key defining thing."

Ishiguro was born in Nagasaki nine years after the US atom bomb was dropped on the city. His father Shizuo, a research scientist, had been invited by the British National Institute of Oceanography to do work on the North Sea. When the contract was renewed the boy, then five, his mother Shizuko and older sister, Fumiko, moved to England - temporarily they thought.

Crucial to him, he now realises, was his childhood relationship with his grandfather, an industrialist who had worked in Shanghai for Toyota at a time when Toyota was still a textile company and Japan had imperial ambitions in China. (He can be glimpsed in Ishiguro's first two books.)



"The family never had the attitude of immigrants. We were very much visitors. What this also meant, I think, was that... I didn't say goodbye properly to Japan. I always had a strong sense that Japan was my proper home, where I was going to return."

Crucial to him, he now realises, was his childhood relationship with his grandfather, an industrialist who had worked in Shanghai for Toyota at a time when Toyota was still a textile company and Japan had imperial ambitions in China. (He can be glimpsed in Ishiguro's first two books.)

His father was absent most of the time until Kazuo was four. "Although my mother was central I didn't really know him. And we lived in my grandfather's house, a typical three-generational set-up, the traditional Japanese way. My grandfather effectively was the big father-figure."

Also in the Japanese tradition, the grandparents spoiled the boy at his sister's expense: they had more influence over the children than responsibility for them.

"Today I have that sense of having just left without saying goodbye and of this whole other world just kind of fading away."

"For me it's a kind of sadness or melancholy that I didn't fulfil... a sense of guilt that I didn't finish my relationship with my grandfather and grandmother, that I didn't become the person they expected me to become."

"My grandfather died when I was 15. He would not have recognised me. He would not have been that delighted to see what his cherished child had become. He would have disapproved of my becoming an Englishman."

Ishiguro used to dream about his lost country but no more. "When you leave suddenly you have a

motivation to keep remembering. I can reproduce the house room by room, where the piano was, and so on.

"I have the feeling of this completely alternative person I should have become. There was another life which I might have had, but I am having this one. I never properly said goodbye to those people..." He paused. "I can't define it clearly."

"I wouldn't want to make claims for this being any sort of huge trauma," Ishiguro said again. "A lot of people have far more tragic things happen to them. I'm not even saying there's anything tragic about it. It's just something that happened. But..." His voice trailed off. It is a preoccupation?

"I'm trying to figure out if it is a preoccupation or not, I suppose. But it's interesting now today that when I was younger I wanted to write about Japan - and the Japan of that same period."

I asked him if his Japaneseness was a bonus or a handicap.

"Probably both. In many obvious ways I benefited as a writer from this dislocation. I'm not sure I would be a writer at all had it not been for that."

"I think it's certainly helped raise my profile. It's created a certain edge. But the more serious part of me as a writer does find it irksome, because it's drawing attention away from what I really aim to do."

Are you afflicted by clichés about Japan?

"Yes, I'm tired of reviews that use Japanese similes. My writing has been compared to hi-fi and to *samo* wrestling and to cherry blossoms and oriental painting. That is as irritating as it would be for an Italian if every time he wrote a novel reviewers compared his plotting to spaghetti and said that his prose had the precision of a Mafia hit-man. It all becomes very silly."

"The more serious stuff is the reluctance to let go of my Japanese origins in any reading of my work. It's not just that these people can't get past my cover photograph and my name - it's also a kind of way of not facing things."

Ishiguro's first book, *A Pale View of Hills*, was ostensibly set in England but mainly composed of flashbacks describing Nagasaki just after the second world war. It was begun on the creative writing course and finished in Cardiff, South Wales, where Lorna was training as a social worker. In the second novel, *An Artist of the Floating World*, Ishiguro described an elderly painter of the pre-war militarist regime who slowly discovers why he cannot arrange a marriage for his daughter.

Remains of the Day is about an English country house butler motoring to a rendezvous with the former housekeeper whose love he had affected to ignore. The book is not really about England and butlers, Ishiguro said, but was yet another excursion into the themes of memory, regret, emotional repression, social ritual, exaggerated propriety.

The *Unconsoled*, although a deliberate attempt to explore new themes and techniques is likewise about a man trying, too late, to repair a past mistake. When I told Ishiguro I had found it difficult, he was not angry. But he was not very happy either.

"When I write my next book," he said with a self-deprecating laugh, "this one may become clearer."

while opposing any increase in the power of central Euro-institutions and insisting on the primacy of national governments.

Every single event confirms the two nations in their prejudices. Turnout on the currency markets? The French say that means there has to be a single Euro-unit, the British that it shows there cannot be. The Germans are getting too big for their boots? Pin them down in a tight-knit union, or refuse to create a union they can and want to dominate?

If a proposal to work together were to be put forward, a British diplomat might say: "We would sanction that" to signify approval. A Frenchman could take such words to be an outright rejection. So it is that the French and the British get on reasonably well thanks to systematic mutual incomprehension.

The double entente cordiale remains the only suitable basis for this largely civilised relationship.

James Morgan is economics correspondent of the BBC World Service.

As They Say in Europe / James Morgan

La double entente cordiale

There are no two substantial countries as similar as France and Britain, said the British Foreign Secretary, Douglas Hurd.

There are no two countries which infuse each other's history and language in the same way either. The French and the British have messed each other up on the cultural front for so long that one is surprised that there remain those who, as we shall see, appear determined, in the face of all obstacles, to get the two to work more closely together.

The mutual wrecking gathers pace in fact. A few days ago the cookery writer in the London *Evening Standard* had a recipe which used "flageolet" beans. The day before that the diarist on the *Independent* wrote about an "embarrasment de richesse".

That sounds a bit like a real French expression but is not. In the *Spectator* there has appeared the word "communautaire" for *communitaire*; it has also decorated the *Sunday Times*, and it has flowed from the pen of the noted former

minister Lord Tebbit. I ascribe this curious misspelling to Eurosceptic enthusiasm.

Then there are the funny phrases, and wealth of English expressions which pretend to be French - "embarrasment de richesse" is a nice addition to a list which already includes "double entendre", "bonne bouche" and "palais de danse". (The correct versions are *double entendre*, *amuse-gueule* and *dancing*.) We use perfectly good French words to mean something different - *bon vivre* for *bon vivant*, *brasserie* (a baby's shirt) and *entrepreneur* (a kind of foreman).

Some are positively repugnant to the French, like the curious habit of saying, *saviez* as some kind of toast. It sounds as nasty to the French as saying "health" would

while raising a glass of Chablis in Hampshire.

The French for their part have a garment called a *smoking* which is worn in a *building de standing*. They take pride, less today than heretofore, in their *rugbymen*.

And invention continues there too: in *Le Monde* I have read "Pump and Circumstances." *Un gadget* is a gimmick, *faire du footing* means "jogging," but *porter un jogging* is to wear a sweat shirt and the relevant trousers.

Thus one can see that an interesting document just published by the Franco-British Council called "Franco-British relations after the Cold War" is doomed in its attempt to start a "wide debate on the future co-operation between the two countries".

It outlines, with some difficulty,

those areas where the two countries have come together in their view of the world in general, and Europe in particular.

The authors, Françoise Serre and Helen Wallace, establish many apparent "congruences" but find they are all will o' the wisps: same views on Bosnia maybe, but no agreement on European defence; both against more power for Brussels, but for entirely different reasons: each has its own unique view of the European Union but they are entirely different - the French like a "hard core" based on the old members: the British, a Union in which everybody is on the periphery.

Any close examination of the contrasting views of Europe shows that the British provide a feasible vision even if it makes no logical

sense. It is perfectly possible to envisage a Union made up of countries dipping in and out as the mood takes them.

Similarly, one can envisage footballers playing for different teams every week. But what sense would it make?

The French, in their logical way, build their vision of Europe from a series of bricks which individually are perfectly tailored to their needs.

The trouble is the bricks do not fit together. Thus it is perfectly reasonable to argue, as do many in Germany, that there has to be a federal Europe, a single currency and a real European parliament. It is perfectly logical for the British to argue against all three. What makes no sense is to support a single currency, as do the French,

Life's short season

Why is it, I wonder, that people die as soon as a new rector arrives in a parish? There had not been a funeral for weeks, but within days of my arrival last month, to serve as rector of three small, rural parishes in north Wales, four people died.

The first time I went to the crematorium was easy. I simply followed the funeral cortege. The second time I had to find my own way there. It is a 10-minute journey, so I left half an hour early, got on to the new road to Wrexham, and looked for signs to the crem. There were none.

Back where I started 15 minutes later, in a high state of panic, I roared into a garage leaving the car door open and the engine running, charged into the shop in my black cassock, and shouted: "Which way is the crem?" The shocked assistant blurted out: "Second exit on the left," and I was away. I arrived at last, giving every appearance of calmness.

It was a typical funeral service for a person who had lived 25 years beyond the allotted threescore and 10. Her close relatives were there, and a few people from the village - very few because she had outlived nearly all her contemporaries. A few of the "All Things Bright and Beautiful", and sang remarkably well considering how few of us there were. We said the 23rd Psalm, and reflected on her long and, for the most part, contented life.

Then, with the full solemnity of the Anglican liturgy, we committed her body to be cremated, though more in hope than in faith, because faith was in short supply.

Her eldest son had travelled from Scotland, and two days before the service we had spent a convivial couple of hours in his mother's cottage, preparing for the funeral. He told me there would be very few Christians at the service.

Yet he said afterwards, and so did

All we are left with is half an hour in the crem. It is not much. But it is significant

others in the family, that the service, a Christian service through and through, had touched him deeply.

In part, of course, it was because the service provided a measure of control over an ending that was inevitable but still somehow shocking. It offered a form and a ritual for marking the finality of death and an outlet for coping with grief.

I have long envied the Jewish community their carefully ordered ritual, lasting for a whole year. It begins with great intensity at the moment of death, with the close family sitting and doing nothing. They just come to a full stop; and then gradually, step by step, they adjust to the new reality and return to life again.

Most of our society is desperately short of form and ritual, compared with the days when people died at home. Then, the coffin was placed in the front room, open, and visitors came to view the body (whether they wanted to or not), to have a cup of tea, and to offer their condolences. A funeral service was part of a longer ritual involving the whole community. All we are left with now is half an hour in the crem. It is not much. But evidently it is something real and significant.

There is something about a Christian funeral service, deeper even than the provision of form and ritual, which can move people profoundly, in ways which are felt and experienced more than analysed. It has something to do with the fact that life is a continually recurring experience of death and new life, of endings and new beginnings, of winter and spring, of bad Fridays and glorious Easters; and a Christian funeral service points to the death and resurrection of God in Christ, as primal events which echo and somehow validate all our human struggle.

Susan Hill's novel, *In The Springtime of the Year*, tells of Ruth, whose husband Ben died just as winter was passing into spring, and it tracks her shifting emotions through the year, as the seasons change, until winter comes again.

At the end of the year, "she was the same person, Ruth Bryce. But not the same. She loved Ben, and wanted him, and still did not know how she might live for the rest of her life. But Ben was dead, and laid in his grave, and she would move on, from one day to the next. There was winter. There would be spring."

There is change and it brings new opportunity. There is death and new life. There is Good Friday, and eventually, somehow, probably in a way completely unexpected, there is Easter day. Half an hour at the crematorium is not much to mark the passing of a life, and is dreadfully inadequate when it is our only ritual for dealing with grief and bereavement; but even that short service can resonate with the most deeply felt truth of our human life.

Philip Crowe

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Weekend Investor

Wall Street

Forget economics – the mega-bid is back

So who cared if the details were lacking. The dealers lapped it up, says Maggie Urry

Whether it was book-squaring ahead of the long weekend, or exhaustion after the stock market's rise in the first quarter of the year, Wall Street appeared to run out of steam this week. In spite of yet more good news on inflation, and the prospect of a \$22.8bn takeover bid for Chrysler, the Dow Jones Industrial Average responded weakly. Perhaps the market is, at last, discounting in full the prospect of a soft landing for the economy, combining moderate economic growth with low inflation. If so, then the next few weeks and months could be uncomfortably volatile.

This week's economic statistics showed both producer prices and consumer prices rising at a slower rate than economists had forecast. Retail sales for March also were weak and rose only 0.1 per cent, which was again below forecasts. But many commentators expect sales to pick up again this month as tax refunds come through and people celebrate Easter by heading for the shops.

Traders were probably also reluctant to take new positions ahead of yesterday's figures for industrial production and capacity utilisation, which were being published while the market was closed for the holiday.

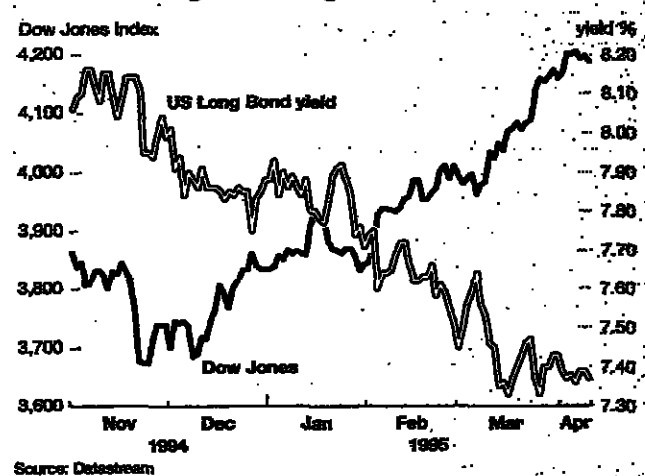
For once, the market's elation following of every piece of economic news was overshadowed by the return of the giant takeover bid.

Wednesday morning's announcement of a "bid" for Chrysler, the car-maker, astonished everyone. Even after it became clear that it amounted to no more as yet than two septuagenarians flying a kite, there was no financing in place, nor had an investment bank been appointed to handle the deal – the market took it seriously.

That, however, did not translate to higher share prices all round. General Motors and Ford shares were little better on the day, and the Dow rose only 10.73.

Chrysler shares rose 39¢ to \$48.90 on Wednesday, still below the proposed bid price of \$55. This was, it seemed, more in the hope that another bidder would surface than an expectation that Kirk Kerkorian, 77, backed by Lee Iacocca, 70, would succeed. It looked probable that Kerkorian's real inten-

First 100 days of Congress



Source: Datastream

tion was to improve the price for the 10 per cent of Chrysler's shares he owns already.

The start of the first-quarter results season did not give much of a boost to the market either. In spite of better-than-expected earnings from International Paper, Weyerhaeuser and Georgia-Pacific, the paper companies' shares were unimpressed. Like the market as a whole, they have risen already this year. Now, the good news seems to be in the price.

If favourable news from the economy or from companies can no longer push up the market, there is the possibility that politicians will grab investors' attention again. The chances are that the news from Capitol Hill will be less happy.

This week marked the 100th day since the Republicans' sweeping victory in November's congressional elections. Since the people voted on the party's "Contract with America", the stock market has risen 400 points (500 after an initial drop) and the long bond yield has fallen from 8.2 per cent to 7.3 per cent at its late March low.

So far, say strategists at Kemper Securities, the bond and stock markets have taken a positive view of the new Congress's actions. Most of the Contract with America has passed the lower house; fiscal conservatism has become a legislative priority (says Rao Chalasani, Kemper's chief investment strategist); and there is a general desire to cut both taxes and the budget deficit, incompatible though that might seem.

After the honeymoon period, though, the going will get tougher. The legislation must

pass the Senate, which has rejected the balanced budget amendment already. That, perhaps, was an extreme case, since it required a two-thirds majority to become law. However, even if the Republicans do agree the new legislation, the White House might still decide to veto it.

Chalasani warns that, as the legislation becomes embroiled in political wrangling, the markets are likely to take the uncertainty badly. Kemper has told clients already to cut both bond and equity holdings.

Further, as middle class voters find out that spending cuts will not just affect low-income families but will also hit them through reductions in things dear to their hearts, such as student loans and Medicare – the already declining popularity of Newt Gingrich, speaker of the House of Representatives, could fall further.

One part of the tax-cutting programme which has been particularly popular with investors – and has been an important factor behind the market's rise – has been the proposal to reduce capital gains tax. The intention is to backdate the cut to cover profits taken since the end of 1994.

Investors, however, have been wary of selling in case the legislation is not passed or is not backdated after all. Once the details are clear, tax-paying investors may turn to sellers.

Dow Jones Ind Average

Monday	4198.15	+5.53
Tuesday	4187.08	-11.02
Wednesday	4197.51	+10.73
Thursday	4208.16	+10.37
Friday		closed

Source: Datastream

payments deficit and finance has to be sought in foreign currencies.

Foreigners may be attracted by high interest rates for a while but are likely to lose heart sooner than a country's own nationals. This is what happened in Mexico and might conceivably happen in Sweden. But Italy is running a

Disruption will come if the markets have not gauged the risks correctly

trade surplus. Inflation has been a traditional solution to an inconvenient burden of debt. Indeed, the slowdown in inflation in most countries during the 1980s was one reason for the rising trend in the debt ratios. But domestic inflation is not an escape route from foreign currency debt. Moreover, moderate inflation levels will not help if government debt is primarily in the form of short-term or floating rate paper. Inflationary policies would just lead to sharply higher interest outgoings. Thus, the danger in Italy – where average debt maturity is only about three years – is not of

creeping inflation but sudden hyperinflation. If the Bank of Italy could no longer roll over maturing debt, money supply would start rising at an alarming rate.

Several of the countries that are in difficulties today have a history of debt crises, as William Ledward explained at a recent seminar of Oxford Economic Forecasting. In 1927, for instance, the Italian fascist government converted all short-term debt compulsorily into a 5 per cent perpetual bond, and in 1934 the coupon was cut to 3½ per cent. In the 1930s Belgium converted all its debt into a 4 per cent bond.

As for the UK, the coupon on War Loan was cut from 5 per cent to 3½ per cent in 1932 (although this was technically a conversion rather than a default). This eased the pressure on the budget; by the early 1930s, public debt, in conditions of falling prices and output, was pushed up to nearly 180 per cent of GDP. In the event, rapid economic growth came to the rescue after the departure from the gold standard.

Strong governments can take tough decisions to run budget surpluses but most European administrations today are weak. Partial defaults and restructurings, therefore, seem likely to happen. The question is how fully these risks are discounted in yields which run to 12 or 13 per cent.

The UK's problem is simple: it just does not have enough billions.

If only Britain had a Kirk Kerkorian or Edgar Bronfman, the stock market could have enjoyed a lively pre-Easter week. As it was, traders could only look enviously across the Atlantic, where the aforementioned moguls were respectively announcing a \$23bn approach to Chrysler and taking a \$5.7bn stake in Hollywood group MCA.

On the UK news front, the results season is winding down and there are few bids under way. An increased offer from German group Gehe for health-care company AAH was all the mergers and acquisitions scene had to offer.

After the initial excitement of the Glaxo-Wellcome bid battle and the Trafalgar House-Northern Electric skirmish, the hoped-for takeover season has gone flat. Barely a week goes by without a Hanson bid rumour, but the noble lord has

yet to act.

Mark Tinker of James Capel thinks, however, there could be scope for Kerkorian-style approaches in the UK. Just as in the US, cyclical stocks have been neglected, he argues, and are trading on low multiples of cash flow.

Tinker cites examples such as T&N and British Steel, which are on low cashflow multiples based on next year's results. Either a predator could emerge for such cheaply-rated stocks, he feels, or investors might bid up the share prices in the hope of a bidder.

In the absence of bid activity, the FT-SE 100 index spent much of the pre-Easter period pottering around the 3,200 level which it reached last week. By the close on Thursday, it had crawled to 3,208.8, 2.1 points down on the week, and 143 points up on the year so far.

The London stock market has had a good run, but it is possible to make some bullish arguments on fundamental grounds. Even though inflation

edged up again to 3.5 per cent this week, the dividend yield on the All-Share Index remains positive in real terms.

As the graph shows, that has been a true achievement over the past 30 years. Only for a few brief periods in the 1980s were investors offered a positive real dividend yield, and for the whole of the 1970s, real yields were highly negative.

The real yield could be eroded, of course, if inflation rises further. At present, the headline inflation rate is substantially higher than either the underlying rate of 2.5 per cent (which excludes mortgage interest payments) and is the basis for the government's 1.4 per cent inflation target) or the so-called "core" rate of 1.9 per cent, used by the Bank of England, which excludes mortgages and indirect taxes.

One can be cynical about all this and point out that, if the government excludes enough prices, it can eventually arrive at an inflation rate of zero. The idea, however, is to exclude

one-off changes, which might distort the inflation measure.

Increasing interest rates, for example, which is the government's main weapon for fighting inflation in the medium term, has the paradoxical effect of increased headline inflation in the short term, via the effect on mortgage rates.

If one accepts the reasoning, then perhaps the government can afford to be relatively sanguine about the recent increase in the headline and underlying rates.

There were some worrying signs in this week's statistics, however. Unit labour costs in manufacturing industry were rising at an annualised rate of more than 9 per cent in February, while producer output prices (the prices charged by manufacturers at the factory gate) rose by 3.3 per cent in the year to March. If the volatile food, drink, tobacco and petroleum sectors are excluded, producer prices rose at their highest annual rate since 1991.

Both statistics point to future inflationary pressures, and the government has a target band of 1.2-1.5 per cent for underlying inflation by the end of this Parliament.

By the time traders return from their Easter holidays, attention will have started to focus on the next meeting of Kenneth Clarke, chancellor of the exchequer, and Eddie George, governor of the Bank of England on May 5. The arguments in favour of a rate rise are finely balanced.

There has been some evidence of a slowing recovery, but sterling's recent weakness will add to inflationary pressures and Eddie George will be

well aware that the chancellor is hinting at a looser fiscal policy later this year. James Capel expects base rates to rise by half a percentage point.

Inflation might be set to rise but dividend growth is expected to be a healthy 10 per cent this year. That enables the prospective dividend yield to be well ahead of the consensus 1995 inflation forecast of 3.5 per cent.

A slight caveat to this rosy scenario can be found in the column's indicator of dividend growth. The four week average of the dividend index, compiled by subtracting dividend cuts from increases and expressing the result as a percentage of the total, fell to 53.6 per cent, its fourth consecutive weekly decline. The index is now at its lowest level since February, just before the results season got into full swing.

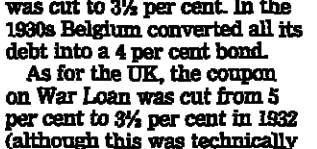
Real optimists can look ahead to the end of April, when there is a good chance that the Coppock indicator might give a buy signal. This indicator, devised in the US, relates the end-month level of the index to its level 11 and 14 months previously.

Once the indicator turns negative (as it did in December 1994) and then turns up, Coppock is a signal to buy "good quality shares", in the phrase of its originator, Robert D. Coppock, who needs 3.081 to meet this condition, so in the absence of a sharp fall over the next two weeks, a buy signal looks likely.

According to chartist Brian Marber, the Coppock indicator has been wrong only once since the second world war. Mind you, there is always a second time...

Source: Datastream

Dividend yield on the FT-SE 100 All-Share minus annual change in RPI



Source: Datastream

Highlights of the week

	Price Thursday	Change over 5 days	1995 High	1995 Low	
FT-SE 100 Index	3208.8	+7.9	3210.9	2954.2	Inflation caution
FT-SE Mid 250 Index	3500.8	+18.4	3500.8	3300.9	Confidence improves
BICC	315	-17	364	287	Profits warning
Eurotunnel Uts	203	-40	324	179	Rights issue fears
Fortis	228	-9	231.6	227	Cautious outlook after results
GN	624	-16	647.4	543	Helicopter crashes
ICI	753	+13	789	680	Swiss Bank recommends
Inchcape	313	+10	430	274	Rebound after weakness
Medeva	225½	+18½	238	162	Bid speculation
Royal Bank Scotland	424	+15	429	373½	Sector in demand
Sainsbury (A)	420	-16	439	403½	Poor outlook for margins
Schroders	1628	+93	1628	1360	Bullish broker note
Wills, Corroon	157	+15	158	135	Aon Corp bid rumours
Yule Catto	284	+33	284	236	Sharp rise in profits

Source: Datastream

London

Wanted: bidding billionaires

Phillip Coggan looks beyond the pre-Easter lull



If only Britain had a Kirk Kerkorian

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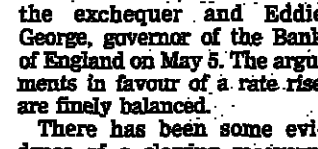
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Source: Datastream

Barry Riley

When debt has too much dominion

The problem has been building for years. Is nemesis nearing?



Distressed debt is what they call it and there is a lot of it about this week. For example, the bank loans of troubled Eurotunnel were being quoted at well below nominal value on the unofficial secondary market. But the much bigger problem is of low-grade government debt.

This is sometimes described as the high yield sector, a category into which are consigned the bonds of countries such as Italy, Sweden, Spain and Portugal. Escape is possible, though; Canadian government bond yields have fallen from nearly 10 per cent to under 8.5 per cent since mid-January, and now yield the same as British government gilts.

A peak of anxiety may have been passed in this sector recently. Bond yields have fallen in the US, Japan and Germany, taking some of the pressure off the weaker countries.

There are even suggestions that a diversified portfolio of these government junk bonds may now prove a worthwhile speculation. But it would be surprising if there were not at least one major accident in this sector before 1996 is out. A victim may be needed pour encourager les autres.

The problem has been building for a number of years. Public debt in the OECD member countries has

risen from the equivalent of about 40 per cent of GDP in 1980 to more like 60 per cent today. Within that, Canada, Italy and Belgium have ratios of 100 per cent or more.

The size of the debt is perhaps less important than the heavy burden of interest payments. British government debt reached 200 per cent of GDP after the Napoleonic war (against less than 50 per cent today) but nominal interest rates were only about 3 per cent. When real interest rates rose much higher, as they sometimes did, it was because prices were falling. But today's high real interest rates are reflected in hefty nominal rates which are crippling the budgets of a number of countries.

Country debt analysis is a subject all of its own, full of oddities. A big government debt need not be a problem, for instance, when its citizens are big savers. This is the factor which moderates the Italian crisis.

In spite of the recent political turmoil the Bank of Italy has continued to be able to finance the government deficit – and, anyway, the budget is in primary surplus, which means revenues exceed spending apart from interest payments.

When, however, the budget deficit is unmatched by domestic savings, inevitably trouble looms. The fiscal gap spills over into a balance of

payments deficit and finance has to be sought in foreign currencies.

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Disruption will come if the markets have not gauged the risks correctly. On the one hand, Spain seems to have been judged harshly because, on the basis of its budget deficit and debt ratio, it is far from being one of the worst offenders in Europe. (Is the peseta being tarred unduly by the peso?) On the other, over-indebted Belgium has succeeded in camouflaging its problems within "core" Europe, but it could be in trouble if the dream of monetary union fades further.

A crisis might blow up suddenly in a country which appeared reasonably strong; after all, the Mexican collapse was, largely, not anticipated. But apparent basket cases can show dramatic improvement if the debt can be restructured at the same time as taxes and state pension commitments can be re-balanced. A country which restores sound finance will see its bond interest rates fall towards 7 per cent.

The point of a crisis somewhere in Europe would be to put some steel into the backbones of other governments and reverse the drift towards indebtedness. Soon, an increase in debt will cease to appear the easiest political option.

Meanwhile, connoisseurs of debt can take a Eurostar luxury train through the Channel tunnel all the way to Belgium. It is the comfortable way to experience distress.

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